



NEWS RELEASE

Quarterhill Announces Q4 and Fiscal 2023 Financial Results

2024-03-15

- *Quarterhill to Acquire Red Fox I.D. Limited*
- *Kyle Chriest named Chief Financial Officer*
- *Quarterhill will begin reporting in U.S. currency with its Q1 2024 results.*

TORONTO, March 15, 2024 /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 twelve months ended December 31, 2023. All financial information in this press release is reported in Canadian dollars, unless otherwise indicated.

Q4 2023 Highlights

- Revenue was \$58.5 million, up 46% compared to \$40.1 million in Q4 2022.
- Adjusted EBITDA¹ was \$3.2 million compared to (\$1.5) million in Q4 2022.
- Revenue backlog³ was more than USD\$520 million at December 31, 2023.
- Working capital was \$104.6 million at December 31, 2023.
- Tolling unit launched new service with Central Texas Regional Mobility Authority.
- Tolling unit launched the E-ZPass® Interoperability Hub.
- Enforcement unit signed new contracts in California and North Carolina.

Fiscal 2023 Highlights

- Revenue was \$194.3 million, up 22% compared to \$159.3 million in 2022.
- Adjusted EBITDA was \$3.8 million compared to (\$10.5) million in 2022.
- Appointed Chuck Myers as CEO and member of the board of directors.
- Appointed Kyle Chriest as Interim CFO. Effective today, Mr. Chriest is now Quarterhill's permanent CFO.
- Rusty Lewis was appointed board Chair and Bill Morris was appointed as a director. Of the board's six current members, four have been appointed or elected within the past two years.

- Sold Wi-LAN Inc. to become a pure-play ITS company.

"2023 was a year of transition for Quarterhill with important changes made to the board and management, which set the stage for a greater focus on operational excellence throughout the company," said Chuck Myers, CEO of Quarterhill. "In 2023 generating strong growth in revenue and adjusted EBITDA to end the year. This was due to steady performance from our enforcement business, improved execution on our tolling implementations and keeping a close eye on expenses."

"We believe we have entered 2024 with a stronger foundation and strategic direction from which to drive top-line growth and margin expansion. We plan to achieve this by remaining focused on growing our world-class ITS franchises in tolling and enforcement, while investing in our higher margin software applications and seeking expansion opportunities in the European tolling market and in the logistics vertical. Our goal is to achieve growth while generating reliable cash flows in order to build a healthy and sustainable balance sheet capable of supporting both our organic and acquisitive growth strategies."

Definitive Agreement to Acquire Red Fox I.D. Limited

Quarterhill is pleased to announce that it has entered into a definitive agreement to acquire all of the issued and outstanding shares of Red Fox I.D. Limited ("Red Fox"). Based in Haddenham, England, Red Fox is a profitable and growing provider of Automatic Vehicle Detection and Classification ("AVDC") software to the tolling industry. Subject to customary closing conditions, the acquisition is expected to close on, or about, April 1, 2024.

AVDC is responsible for the detection, classification and tracking of a vehicle as it enters and exits a tolling facility. AVDC is at the front end of any tolling transaction where accuracy and flexibility are essential. Red Fox's Quantum software platform boasts detection accuracy of up to 99.96% and its ability to process captured data from both LiDAR and "in pavement" inductive loops, makes it unique in the market and at the forefront of advanced AVDC solutions.

Mr. Myers added: "As a customer of Red Fox's Quantum software, we have first-hand experience with the quality, performance and untapped potential of the product. We look forward to supporting and growing Red Fox's customer base and to providing them with the high level of innovation and functionality that Quantum is known for."

Mr. Myers continued: "Quarterhill is making a bigger push into technology development with the goal of driving greater growth from software sales. Quantum is the type of solution we have on our technology roadmap, and with Red Fox, we were presented with a compelling "buy versus build" opportunity. With attractive financial terms, a recurring revenue model and strong opportunities for growth, we are very excited to welcome Red Fox to the Quarterhill team."

Under the terms of the definitive agreement, Quarterhill will acquire Red Fox for up to US\$10.2 million through a combination of cash and equity. Red Fox is expected to generate US\$1.4 million in annualized Adjusted EBITDA in 2024, and as such the acquisition is expected to be immediately accretive to both Adjusted EBITDA and cash flow.

For more information on Red Fox, visit www.redfoxid.co.uk

Q4 and Fiscal 2023 Financial Review

Quarterhill's Management's Discussion and Analysis and financial statements for the three and twelve months ended December 31, 2023 are available at the [Company's website](#) and at its profile at [SEDAR+](#). Please note that beginning with the reporting of its financial results for the three months ended March 31, 2024, Quarterhill will report its results in U.S. currency going forward.

Financial statements for the three and twelve months ended December 31, 2023, and for the respective comparison periods, have been prepared to reflect continuing operations, and therefore, exclude results during those periods from Wi-LAN Inc. ("WiLAN"), which was sold by Quarterhill on June 15, 2023. Operating results from WiLAN in 2022 and up to the date of sale on June 15, 2023, are reported as net (loss) income from discontinued operations.

Revenue for the three and twelve months ended December 31, 2023 was \$58.5 million and \$194.3 million compared to \$40.1 million and \$159.3 million in the prior year comparative periods, respectively. The increase in revenue was due to increased activity and improved performance in North American project revenue and growth in both the enforcement and tolling business units.

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 currently in process and currency volatility. Gross profit for the three and twelve months ended December 31, 2023, was \$11.5 million and \$40.6 million, or 19.7% and 20.9%, as compared to \$10.2 million and \$37.8 million, or 25.3% and 23.7% in the prior year comparative periods, respectively. The decrease in gross profit margin percentage compared to the prior year periods is primarily attributed to tolling implementation expense overruns. These expense overruns resulted in additional unanticipated costs and a reduced margin profile for the implementation projects. This decrease in gross profit margin was partially offset by continuing strong performance in our enforcement operations.

Operating expenses include sales general and administrative ("SG&A") expense, research and development costs ("R&D"), depreciation and amortization and other charges. Total operating expenses for the three and twelve months ended December 31, 2023 were \$21.5 million and \$64.7 million compared to \$21.0 million and \$87.6 million in the prior year comparative periods, respectively. The increase for the three months ended December 31, 2023, was due to higher impairment and other charges, which was offset by lower SG&A. The decrease for the year ended December 31, 2023 is mainly attributed to the cost reduction initiatives deployed by the Company and the allocation of certain selling, general and administrative personnel costs into cost of revenues as well as the absence of a one-time \$14.6 million legal settlement that was present in the 2022 twelve-month comparative period.

SG&A for the three and twelve months ended December 31, 2023 was \$9.2 million and \$35.0 million compared to \$11.9 million and \$48.6 million in the prior year comparative periods, respectively. As a percentage of revenue, SG&A in Q4 2023 was 16% compared to 30% in Q4 2022. The Company has

worked to drive efficiencies in the business through its restructuring and integration efforts, which are reflected in the year-over-year decrease in SG&A.

Adjusted EBITDA¹ for the three and twelve months ended December 31, 2023, was \$3.2 million and \$3.8 million compared to (\$1.5) million and (\$10.5) million for the comparative prior year periods, respectively. The increase in Adjusted EBITDA compared to the prior year periods is due to the favorable changes to revenue and operating expenses as previously explained.

Net loss from continuing operations for the three and twelve months ended December 31, 2023 was (\$0.14) per diluted share and (\$0.38) per diluted share, compared to a net loss from continuing operations of (\$0.17) per diluted share and (\$0.47) per diluted share, in the comparative prior year periods, respectively.

Cash used in continuing operations for the three and twelve months ended December 31, 2023 was \$1.6 million and \$22.6 million, compared to cash generated from continuing operations of \$7.8 million and cash used in continuing operations of \$43.8 million in the comparative prior year periods, respectively.

Cash and cash equivalents and short-term investments were \$56.6 million at December 31, 2023, compared to \$60.9 million at September 30, 2023 and \$67.9 million at December 31, 2022. Working capital was \$104.6 million at December 31, 2023, compared to \$111.1 million at September 30, 2023 and \$71.5 million at December 31, 2022. 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.

Conference Call and Webcast

Quarterhill will host a conference call to discuss its financial results on Friday, March 15, 2024, at 10:00 AM Eastern Time.

Webcast Information

- Live audio webcast will be available at: <https://app.webinar.net/kaDJ5DBQnAr>
- Webcast replay will be available at: <https://app.webinar.net/kaDJ5DBQnAr>

Traditional Dial-in Information

- To access the call from Canada and U.S., dial 1.888.664.6383 (Toll Free)
- To access the call from other locations, dial 1.416.764.8650 (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/49Qcjge>

Telephone Replay

Telephone replay will be available from March 15, 2024, until 11:59 p.m. ET on March 22, 2024, at: 1.888.390.0541 (Toll Free North America) or 1.416.764.8677.

Conference ID: 14601908 and Replay Passcode: 601908 #

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) income adjusted for (i) income taxes, (ii) finance expense or income; (iii) amortization and impairment of intangibles; (iv) other charges and other on-time items; (v) depreciation of right-of-use assets and property, plant and equipment; (vi) stock-based compensation; (vii) foreign exchange (gain) loss; and (viii) other income which includes equity in earnings from joint ventures; (ix) dividends received from joint ventures; and * 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 (loss) income 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 (loss) income.

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.

Backlog - Non-IFRS Financial Measures

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 statement 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 global leadership in ITS, via organic growth of the Electronic Transaction Consultants, LLC (ETC) and International Road Dynamics, Inc. (IRD) platforms, 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 2024 financial year, including revenue, gross margin and Adjusted EBITDA expectations; the Company's business plan; closing of the acquisition of Red Fox, including satisfaction of customary closing conditions; integration of Red Fox into the Company's business; and expectations regarding Red Fox results, including estimated cash on hand and 2024 Adjusted EBITDA.

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 acquisition and integration of Red Fox; 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; 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; 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, 2023 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 and Red Fox for the year ended December 31, 2024. 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 and Red Fox's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's and Red Fox'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) Income and Comprehensive Income (Loss)
(in thousands and in Canadian dollars, except share and per share amounts)

Consolidated Statements of (Loss) Income

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Revenues	\$58,451	\$40,142	\$194,316	\$159,334
Direct cost of revenues	46,934	29,976	153,719	121,525
Gross profit	11,517	10,166	40,597	37,809
Operating expenses				
Selling, general and administrative expenses	9,166	11,927	35,025	48,616
Research and development expenses	983	586	4,268	2,539
Depreciation of right-of-use assets	510	747	2,047	2,327
Depreciation of property, plant and equipment	529	644	2,163	2,234
Amortization of intangible assets	3,232	2,833	11,590	11,620
Impairment and other charges	7,048	4,285	9,619	20,292
	21,468	21,022	64,712	87,628
Results from operations	(9,951)	(10,856)	(24,115)	(49,819)
Finance income	(812)	(140)	(1,379)	(390)
Finance expense	2,328	2,586	9,058	9,763
Foreign exchange loss (gain)	2,272	(147)	1,732	(2,816)
Other (income) loss	(122)	665	(996)	(1,439)
Change in fair value of derivative liability	1,757	(332)	1,248	(7,655)
Loss before taxes	(15,374)	(13,488)	(33,778)	(47,282)
Current income tax (recovery) expense	396	(713)	(3,021)	276
Deferred income tax expense	(156)	6,170	13,045	6,593
Income tax expense	240	5,457	10,024	6,869
Net loss from continuing operations	(15,614)	(18,945)	(43,802)	(54,151)
Net (loss) income from discontinued operations	-	(1,144)	(21,809)	56,917
Net (loss) income	(15,614)	(20,089)	(65,611)	2,766
Other comprehensive (loss) income that may be reclassified subsequently to net (loss) income:				
Foreign currency translation adjustment	(3,004)	(1,451)	(2,101)	16,313

Comprehensive (loss) income	(\$18,618)	(\$21,540)	(\$67,712)	\$19,079
(Loss) income per share - Basic				
From continuing operations	(\$0.14)	(\$0.17)	(\$0.38)	(\$0.47)
From discontinued operations	-	(\$0.01)	(\$0.19)	0.49
(Loss) income per share - Basic	(\$0.14)	(\$0.18)	(\$0.57)	\$0.02
(Loss) income per share - Diluted				
From continuing operations	(\$0.14)	(\$0.17)	(\$0.38)	(\$0.47)
From discontinued operations	-	(\$0.01)	(\$0.19)	0.49
(Loss) income per share - Diluted	(\$0.14)	(\$0.18)	(\$0.57)	\$0.02

Consolidated Statements of Financial Position
(in thousands and in Canadian dollars)

As at	December 31, 2023	December 31, 2022
Current assets		
Cash and cash equivalents	\$56,621	\$66,357
Short-term investments	-	1,550
Restricted short-term investments	-	6,529
Accounts receivable, net	36,160	23,277
Unbilled revenue	45,377	41,423
Income taxes receivable	0	340
Inventories (net of obsolescence)	14,257	13,671
Prepaid expenses and deposits	6,353	6,852
	158,768	159,999
Non-current assets		
Accounts and other long-term receivables	5,782	539
Long-term prepaid expenses and deposits	-	1,705
Right-of-use assets, net	7,006	10,312
Property, plant and equipment, net	5,480	6,926
Intangible assets, net	104,795	141,335
Investment in joint venture	6,696	7,751
Investment in other entity	3,840	-
Deferred compensation asset	1,262	1,344
Deferred income tax assets	-	25,648
Goodwill	38,450	56,385
	173,311	251,945
TOTAL ASSETS	\$332,079	\$411,944
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$40,186	\$47,063
Income taxes payable	877	982
Current portion of lease liabilities	2,589	2,611
Current portion of deferred revenue	7,693	8,542
Current portion of long-term debt	2,816	29,292
	54,161	88,490
Non-current liabilities		
Deferred revenue	823	2,744
Long-term lease liabilities	7,588	9,655
Long-term debt	22,938	-
Convertible debentures	50,609	48,379
Derivative liability	3,034	1,786
Deferred compensation liabilities	1,252	1,169
Deferred income tax liabilities	1,618	2,061
	87,862	65,794
TOTAL LIABILITIES	142,023	154,284
Shareholders' equity		
Capital stock	427,155	546,482
Contributed surplus	171,826	50,958
Accumulated other comprehensive income	14,356	16,457
Deficit	(423,281)	(356,237)
	190,056	257,660
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$332,079	\$411,944

Consolidated Statements of Cash Flows
(in thousands and in Canadian dollars)

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Operating activities:				
Net loss from continuing operations	(\$15,614)	(\$18,945)	(\$43,802)	(\$54,151)
Add (deduct) non-cash items:				
Stock-based compensation expense	965	284	1,675	1,589
Depreciation and amortization	4,271	4,224	15,800	16,181
Foreign exchange loss (gain)	2,272	(147)	1,732	(2,816)
Other income	(122)	665	(996)	(1,439)
Impairment losses	2,967	1,778	2,967	1,778
Loss on disposal	3,741	-	3,741	-
Deferred and non-cash income tax expense	(156)	6,170	9,176	6,593
Embedded derivatives	(112)	316	14	657
Change in fair value of derivative liability	1,757	(332)	1,248	(7,655)
Non-cash interest expense	304	2,412	2,850	2,412
Net change in non-cash working capital balances	(1,867)	11,326	(17,016)	(6,974)
Cash (used in) generated from continuing operations	(1,594)	7,751	(22,611)	(43,825)
Net operating cash flows attributable to discontinued operations	-	(9,410)	(5,896)	83,438
Net cash (used in) generated from operating activities	(1,594)	(1,659)	(28,507)	39,613
Financing activities:				
Dividends paid	-	(1,433)	(2,866)	(5,693)
Payment of lease liabilities	(798)	(369)	(3,058)	(2,015)
Repayment of long-term debt	(704)	(848)	(3,100)	(36,128)
Common shares issued for cash on the exercise of options	-	-	107	1,149
Cash used in financing activities	(1,502)	(2,650)	(8,917)	(42,687)
Net financing cash flows attributable to discontinued operations	-	-	(135)	(201)
Net cash used in financing activities	(1,502)	(2,650)	(9,052)	(42,888)
Investing activities:				
Net proceeds from disposition of a subsidiary	397	-	43,578	-
Cash sold on disposition of a subsidiary	(250)	-	(10,751)	-
Proceeds from short-term investments	-	-	-	301
Proceeds from sale of property, plant and equipment	-	23	56	234
Purchase of property, plant and equipment	(271)	(456)	(2,214)	(2,943)
Dividend received from joint venture	934	572	934	1,290
Capitalized software costs	(318)	(2,443)	(4,497)	(5,746)
Cash generated from (used in) investing activities	492	(2,304)	27,106	(6,864)
Net investing cash flows attributable to discontinued operations	-	82	1,603	(3,434)
Net cash generated from (used in) investing activities	492	(2,222)	28,709	(10,298)
Foreign exchange on cash held in foreign currencies	(1,656)	(1,313)	(899)	9,184
Net decrease in cash and cash equivalents	(4,260)	(7,844)	(9,749)	(4,389)
Cash and cash equivalents, beginning of year	60,868	74,201	66,357	70,746
Cash and cash equivalents, end of year	\$56,608	\$66,357	\$56,608	\$66,357

Quarterhill Inc.
Consolidated Statements of Shareholders' Equity
(in thousands and in Canadian dollars)

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, January 1, 2022	\$544,345	\$49,937	\$144	(\$353,310)	\$241,116
Net income	-	-	-	2,766	2,766
Other comprehensive income	-	-	16,313	-	16,313

Stock-based compensation expense	-	1,875	-	-	1,875
Exercise of stock options	1,778	(629)	-	-	1,149
Common shares issued from restricted stock units	313	(179)	-	-	134
Common shares issued from performance stock units	46	(46)	-	-	-
Dividends declared	-	-	-	(5,693)	(5,693)
Balance, December 31, 2022	\$546,482	\$50,958	\$16,457	(\$356,237)	\$257,660
Net loss	-	-	-	(65,611)	(65,611)
Other comprehensive loss	-	-	(2,101)	-	(2,101)
Stock-based compensation expense	-	1,688	-	-	1,688
Exercise of stock options	195	(88)	-	-	107
Common shares issued from restricted stock units	403	(657)	-	-	(254)
Common shares issued from deferred stock units	75	(75)	-	-	-
Reduction of stated capital	(120,000)	120,000	-	-	-
Dividends declared	-	-	-	(1,433)	(1,433)
Balance, December 31, 2023	\$427,155	\$171,826	\$14,356	(\$423,281)	\$190,056

Quarterhill Inc.

Reconciliation of Net Loss to Adjusted EBITDA

(in thousands and in Canadian dollars, except share and per share amounts)

	Three months ended December 31,			
	2023		2022	
	\$	Per Share ^[2]	\$	Per Share
Net loss from continuing operations	(\$15,614)	(\$0.14)	(\$18,945)	(\$0.17)
Adjusted for:				
Income tax expense	240	0.00	5,457	0.05
Foreign exchange gain	2,272	0.02	(147)	(0.00)
Finance expense, net	1,516	0.01	2,446	0.02
Other charges	7,048	0.06	4,285	0.04
Depreciation and amortization	4,271	0.04	4,224	0.04
Stock based compensation expense	978	0.01	284	0.00
Dividends received from joint venture	840	0.01	572	0.01
Change in fair value of derivative liability	1,757	0.02	(332)	(0.00)
Other income	(122)	(0.00)	665	0.01
Adjusted EBITDA ^[1]	\$3,186	\$0.03	(\$1,491)	(\$0.01)
Weighted average number of Common Shares				
Basic	115,025,344		114,639,700	

	Year ended December 31,			
	2023		2022	
	\$	Per Share ^[2]	\$	Per Share
Net loss from continuing operations	(\$43,802)	(\$0.38)	(\$54,151)	(\$0.47)
Adjusted for:				
Income tax expense	10,024	0.09	6,869	0.06
Foreign exchange gain	1,732	0.02	(2,816)	(0.02)
Finance expense, net	7,679	0.07	9,373	0.08
Other charges	9,619	0.08	20,292	0.18
Depreciation and amortization	15,800	0.14	16,181	0.14
Stock based compensation expense	1,688	0.01	1,589	0.01
Dividends received from joint venture	840	0.01	1,290	0.01
Change in fair value of derivative liability	1,248	0.01	(7,655)	(0.07)
Other income	(996)	(0.01)	(1,439)	(0.01)
Adjusted EBITDA ^[1]	\$3,832	\$0.04	(\$10,467)	(\$0.09)
Weighted average number of Common Shares				
Basic	114,776,086		114,389,608	

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

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