

## Quarterhill Announces Strong Q2 Fiscal 2023 Financial Results

2023-08-09

- *Delivers record quarterly ITS revenue of \$51.9 million and positive Adjusted EBITDA of \$3.9 million.*
- *Bill Morris appointed to the Board of Directors and Dr. Michel Fattouche retires from the Board.*

TORONTO, Aug. 9, 2023 /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, 2023. All financial information in this press release is reported in Canadian dollars, unless otherwise indicated.

Financial statements for the three and six months ended June 30, 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. Q2 2023 and year-to-date operating results from WiLAN, up to the date of sale on June 15, 2023, are reported as net (loss) income from discontinued operations.

### Q2 Fiscal 2023 Highlights

- Revenue was \$51.9 million compared to \$39.2 million in Q2 2022
- Adjusted EBITDA<sup>1</sup> was \$3.9 million compared to (\$8.1) million in Q2 2022
- Revenue backlog<sup>3</sup> was more than USD\$500.0 million at June 30, 2023
- Following restructuring and integration initiatives in the first half of the year, selling, general and administrative expenses were \$8.2 million compared to \$13.0 million in Q2 2022
- Working capital was \$109.5 million at June 30, 2023
- Completed the sale of Wi-LAN Inc.
- Announced amended credit agreement with HSBC
- Appointed ITS industry veteran Charles ("Chuck") Myers to the board of directors
- Subsequent to quarter-end, appointed Bill Morris to the board of directors and announced the retirement of Dr. Michel Fattouche from the board

"Quarterly revenue and Adjusted EBITDA were up significantly, both year-over-year and sequentially, due to growth at IRD, progress with our ongoing tolling projects and integration and cost control initiatives," said John Gillberry, Interim CEO at Quarterhill. "IRD, our enforcement or commercial vehicle operations unit, had another strong quarter with the highest Q2 revenue in its history, while also generating strong Adjusted EBITDA margins. At ETC, our tolling operations, we made some tough decisions in the first half of the year in order to lay the foundation for improved operational and financial performance, and that hard work began to pay off in Q2."

"The sale of WiLAN in Q2 provides an excellent home for that business to prosper and it enables Quarterhill to focus 100% of its attention and resources on ITS growth. We continue to make changes to the board to reflect the evolution of the business with the appointment of Chuck Myers in Q2 and Bill Morris subsequent to quarter-end, while at the same time Dr. Michel Fattouche has retired from the board after more than two decades of dedicated service to the Company, first as a founder and executive leader, and later as a board member."

"This is a very exciting time for Quarterhill. We have two strong, and increasingly integrated, ITS platform businesses in ETC and IRD. Both have talented teams, great reputations, and solid prospects for new business. Against this positive backdrop, our near-term priorities are to drive towards go-live dates with our tolling projects, achieve positive Adjusted EBITDA for 2023, maintain progress on our integration plan and complete the search for our new CEO."

## **Q2 and Year-to-Date Fiscal 2023 Financial Review**

Quarterhill's Management's Discussion and Analysis and financial statements for the three and six months ended June 30, 2023 are available at the [Company's website](#) and at its profile at [SEDAR](#).

Revenue for the three and six months ended June 30, 2023, was \$51.9 million and \$90.2 million compared to \$39.2 million and \$77.0 million in the prior year comparative periods, respectively. The increase in revenue was due to growth in both the enforcement and tolling business units.

Gross profit<sup>2</sup> 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, currency volatility and competitive factors, among other things. Gross profit for the three and six months ended June 30, 2023, was \$13.4 million and \$18.5 million, or 26% and 21%, as compared to \$5.5 million and \$16.1 million, or 14% and 21% in the prior year comparative periods, respectively. The increase in the current period is primarily due to better margin performance from both the enforcement and tolling business units as well as higher materials and labor costs in the 2022 periods that were, in part, driven by inflationary effects resulting from the COVID-19 pandemic.

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 six months ended June 30, 2023, were \$14.2 million and \$29.9 million compared to \$32.3 million and \$49.6 million in the prior year comparative periods, respectively. The decrease is primarily due 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 legal settlement that was present in the 2022 comparative periods, of which \$14.6 million is attributed to.

SG&A for the three and six months ended June 30, 2023, was \$8.2 million and \$17.6 million compared to \$13.0 million and \$25.4 million in the prior year comparative periods, respectively. As a percentage of revenue, SG&A in Q2 2023 was 16% compared to 33% in Q2 2022. The Company has worked hard 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 EBITDA<sup>1</sup> for the three and six months ended June 30, 2023, was \$3.9 million and (\$1.3) million compared to (\$8.1) million and (\$10.0) 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, gross margin and operating expenses as previously explained.

Net loss from continuing operations for the three and six months ended June 30, 2023, was (\$0.12) per diluted share and (\$0.23) per diluted share, compared to a net loss from continuing operations of (\$0.18) per diluted share and (\$0.26) per diluted share, in the comparative prior year periods, respectively.

Net loss from discontinued operations for the three and six months ended June 30, 2023, was (\$0.16) per diluted share and (\$0.19) per diluted share, compared to a net loss from discontinued operations of (\$0.03) per diluted share and net income from discontinued operations of \$0.55 per diluted share, in the comparative prior year periods, respectively.

Cash used in continuing operations for the three and six months ended June 30, 2023, was \$10.2 million and \$18.7 million, compared to \$45.1 million and \$51.4 million in the comparative prior year periods, respectively.

Cash and cash equivalents and short-term investments were \$61.0 million at June 30, 2023, compared to \$67.9 million at December 31, 2022. At June 30, 2023, Quarterhill had working capital of \$109.5 million. 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.

## **Board Announcements**

Quarterhill announced today that Bill Morris has been appointed to the board of directors and that Dr. Michel Fattouche has retired from the board.

Mr. Morris is a seasoned leader with extensive managerial and board experience. He spent 36 years at Accenture, where he was CEO of Accenture Canada for 13 years. As Accenture Canada's leader, he grew revenue from \$250 million to \$1.3 billion and led a team of 5000 employees.

"Bill brings strength in leadership, operational execution and governance to the Company, and we are

pleased to welcome him to the board," said Rusty Lewis, Chair of the Quarterhill Board. "Throughout his progressive career at Accenture, Bill led business units with a focus on a variety of industries in both Canada and the US. We look forward to leveraging his expertise as we execute on our compelling growth opportunity in ITS."

Mr. Morris retired from Accenture in 2019 and currently provides advisory services at Tequity Advisors and sits on the board of two private companies – Clearblue Markets and Boreal Carbon Corporation – as well as Pivotree, a public company traded on the Toronto Venture Exchange (TSX-V: PVT).

Mr. Lewis continued: "At the same time, on behalf of the entire team at Quarterhill, I would like to thank Michel for his commitment, guidance and support to the Company. A pioneer in his industry, Michel co-founded WiLAN in 1992 and helped to develop patented wireless inventions that became a cornerstone for some of the most important wireless technology used today. We wish Michel all the best in his future pursuits."

Dr. Fattouche saw Quarterhill through its three phases of existence. From 1992 until 2005, WiLAN focused on wireless products based on his patented inventions. Then in 2006, WiLAN changed its focus to licensing its patented technologies, which included his inventions on 3G and 4G cellular standards. Finally, in 2017, WiLAN changed its name to Quarterhill and embarked on a diversification strategy that has led to the pure play ITS company that Quarterhill is today. Dr. Fattouche will have board observer status until the Company's Annual Meeting in 2024 and will serve as Quarterhill's observer on the WiLAN board.

## **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://app.webinar.net/M4owZgzElGm>
- Webcast replay will be available for 365 days at: <https://app.webinar.net/M4owZgzElGm>

### **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://empportal.ink/3PPP4pf>

### **Telephone Replay**

Telephone replay will be available from 1:00 p.m. ET on August 9, 2023, until 11:59 p.m. ET on August

16, 2023, at: 1.888.390.0541 (Toll Free North America) or 1.416.764.8677.

**Conference ID: 52294356 and Replay Passcode: 294356 #**

### **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, and (ix) dividends received from joint ventures. Adjusted EBITDA is used by our management to assess our normalized cash generated on a consolidated basis and in our operating segments. Adjusted EBITDA is also a performance measure that may be used by investors to analyze the cash generated by Quarterhill and our operating segments. Adjusted EBITDA should not be interpreted as an alternative to net 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 (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](http://www.quarterhill.com).

## **Forward-looking Information**

This news release contains forward-looking statements regarding Quarterhill, its operating subsidiaries and their respective businesses. Forward-looking statements 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. The forward-looking events and circumstances discussed herein may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Quarterhill, which include, without limitation, the risks described in Quarterhill's March 22, 2023 annual information form for the year ended December 31, 2022 (the "AIF"). In addition, readers are also urged to review the additional risk factors disclosed in our

Management's Discussion and Analysis for the three and six months ended June 30, 2023 filed today on [www.sedarplus.ca](http://www.sedarplus.ca). 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, whether as a result of new information, future events or otherwise, except as required by law.

### Quarterhill Inc.

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

### Interim Condensed Consolidated Statements of (Loss) Income

	Three months ended		Six months ended	
	June 30, 2023	2022	June 30, 2023	2022
Revenues	<b>\$51,865</b>	\$39,240	<b>\$90,180</b>	\$77,007
Direct cost of revenues	<b>38,428</b>	33,740	<b>71,665</b>	60,886
Gross profit	<b>13,437</b>	5,500	<b>18,515</b>	16,121
Operating expenses				
Depreciation of right-of-use assets	<b>515</b>	516	<b>971</b>	1,034
Depreciation of property, plant and equipment	<b>547</b>	470	<b>1,102</b>	988
Amortization of intangible assets	<b>2,804</b>	2,966	<b>5,625</b>	6,108
Selling, general and administrative expenses	<b>8,235</b>	13,002	<b>17,640</b>	25,444
Research and development expenses	<b>1,354</b>	797	<b>2,529</b>	1,437
Other charges	<b>745</b>	14,506	<b>2,048</b>	14,602
	<b>14,200</b>	32,257	<b>29,915</b>	49,613
Results from operations	<b>(763)</b>	(26,757)	<b>(11,400)</b>	(33,492)
Finance income	<b>(36)</b>	(91)	<b>(81)</b>	(120)
Finance expense	<b>2,324</b>	2,451	<b>4,537</b>	5,082
Foreign exchange loss (gain)	<b>1,033</b>	(1,188)	<b>1,486</b>	(510)
Other income	<b>(320)</b>	(4,236)	<b>(908)</b>	(8,257)
Loss before taxes	<b>(3,764)</b>	(23,693)	<b>(16,434)</b>	(29,687)
Current income tax expense	<b>(3,610)</b>	496	<b>(3,450)</b>	552
Deferred income tax expense (recovery)	<b>13,527</b>	(3,832)	<b>12,976</b>	(18)
Income tax expense (recovery)	<b>9,917</b>	(3,336)	<b>9,526</b>	534
Net loss from continuing operations	<b>(13,681)</b>	(20,357)	<b>(25,960)</b>	(30,221)
Net (loss) income from discontinued operations	<b>(18,839)</b>	(3,975)	<b>(22,174)</b>	62,790
Net (loss) income	<b>(32,520)</b>	(24,332)	<b>(48,134)</b>	32,569
Other comprehensive (loss) income that may be reclassified subsequently to net (loss) income:				
Foreign currency translation adjustment	<b>(5,376)</b>	6,487	<b>(5,415)</b>	2,549
Comprehensive (loss) income	<b>(37,896)</b>	(\$17,845)	<b>(53,549)</b>	\$35,118
<b>(Loss) income per share - Basic</b>				
From continuing operations	<b>(\$0.12)</b>	(\$0.18)	<b>(\$0.23)</b>	(\$0.26)
From discontinued operations	<b>(0.16)</b>	(0.03)	<b>(0.19)</b>	0.55
<b>(Loss) income per share - Basic</b>	<b>(\$0.28)</b>	(\$0.21)	<b>(\$0.42)</b>	\$0.29

<b>(Loss) income per share - Diluted</b>				
From continuing operations	<b>(\$0.12)</b>	(\$0.18)	<b>(\$0.23)</b>	(\$0.26)
From discontinued operations	<b>(0.16)</b>	(0.03)	<b>(0.19)</b>	0.55
<b>(Loss) income per share - Diluted</b>	<b>(\$0.28)</b>	(\$0.21)	<b>(\$0.42)</b>	\$0.29

### Quarterhill Inc.

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

As at	<u>June 30, 2023</u>	<u>December 31, 2022</u>
<b>Current assets</b>		
Cash and cash equivalents	<b>\$61,016</b>	\$66,357
Short-term investments	-	1,550
Restricted short-term investments	-	6,529
Accounts receivable, net	<b>31,237</b>	23,277
Unbilled revenue	<b>41,173</b>	41,423
Income taxes receivable	<b>255</b>	340
Inventories (net of obsolescence)	<b>14,614</b>	13,671
Prepaid expenses and deposits	<b>4,663</b>	6,852
	<b>152,958</b>	159,999
<b>Non-current assets</b>		
Accounts and other long-term receivables	<b>5,563</b>	539
Long-term prepaid expenses and deposits	<b>467</b>	1,705
Right-of-use assets, net	<b>9,527</b>	10,312
Property, plant and equipment, net	<b>6,571</b>	6,926
Intangible assets, net	<b>109,750</b>	141,335
Investment in joint venture	<b>7,565</b>	7,751
Investment in other entity	<b>3,831</b>	-
Deferred compensation asset	<b>1,376</b>	1,344
Deferred income tax assets	-	25,648
Goodwill	<b>38,399</b>	56,385
	<b>183,049</b>	251,945
<b>TOTAL ASSETS</b>	<b>\$336,007</b>	\$411,944
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<b>\$33,246</b>	\$47,063
Income taxes payable	<b>533</b>	982
Current portion of lease liabilities	<b>2,587</b>	2,611
Current portion of deferred revenue	<b>4,231</b>	8,542
Current portion of long-term debt	<b>2,817</b>	29,292
	<b>43,414</b>	88,490
<b>Non-current liabilities</b>		
Deferred revenue	<b>2,822</b>	2,744
Long-term lease liabilities	<b>8,545</b>	9,655
Long-term debt	<b>24,337</b>	-
Convertible debentures	<b>49,481</b>	48,379
Derivative liability	<b>1,525</b>	1,786
Deferred compensation liabilities	<b>1,183</b>	1,169
Deferred income tax liabilities	<b>1,635</b>	2,061
	<b>89,528</b>	65,794
<b>TOTAL LIABILITIES</b>	<b>132,942</b>	154,284

Shareholders' equity		
Capital stock	426,564	546,482
Contributed surplus	171,263	50,958
Accumulated other comprehensive income	11,042	16,457
Deficit	(405,804)	(356,237)
	<b>203,065</b>	257,660
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$336,007</b>	\$411,944

### Quarterhill Inc.

#### Interim Condensed Consolidated Statements of Cash Flows

(in thousands and in Canadian dollars)

	Three months ended		Six months ended	
	June 30,	2022	June 30,	2022
	2023		2023	
Operating activities:				
Net loss from continuing operations	<b>(13,681)</b>	(20,357)	<b>(25,960)</b>	(30,221)
Add (deduct) non-cash items:				
Stock-based compensation expense	53	179	365	769
Depreciation of right-of-use assets	515	516	971	1,034
Depreciation and amortization	3,351	3,436	6,727	7,096
Foreign exchange loss (gain)	1,033	(1,188)	1,486	(510)
Other income, excluding change in derivative liability	(335)	(453)	(647)	(1,842)
Loss on disposal of assets	-	-	-	70
Deferred income tax expense (recovery)	9,658	(3,832)	9,107	(18)
Embedded derivatives	-	(323)	126	(540)
Change in fair value of derivative liability	15	(3,783)	(261)	(6,415)
Non-cash interest expense	1,172	-	1,819	452
Net change in non-cash working capital balances	<b>(12,019)</b>	(19,245)	<b>(12,395)</b>	(21,305)
Cash used in continuing operations	<b>(10,238)</b>	(45,050)	<b>(18,662)</b>	(51,430)
Net cash flows attributable to discontinued operations	<b>(4,536)</b>	122,893	<b>(6,303)</b>	120,071
Net cash (used in) generated from operating activities	<b>(14,774)</b>	77,843	<b>(24,965)</b>	68,641
Financing activities:				
Dividends paid	<b>(1,433)</b>	(1,432)	<b>(2,866)</b>	(2,840)
Payment of lease liabilities	<b>(585)</b>	(491)	<b>(1,115)</b>	(936)
Repayment of long-term debt	<b>(828)</b>	(13,720)	<b>(1,675)</b>	(14,503)
Common shares issued for cash on the exercise of options	-	971	-	1,095
Cash used in financing activities	<b>(2,846)</b>	(14,672)	<b>(5,656)</b>	(17,184)
Net financing cash flows attributable to discontinued operations	<b>(68)</b>	(67)	<b>(135)</b>	(134)
Net cash used in financing activities	<b>(2,914)</b>	(14,739)	<b>(5,791)</b>	(17,318)
Investing activities:				
Net proceeds from disposition of a subsidiary	42,684	-	42,684	-
Cash sold on disposition of a subsidiary	<b>(10,501)</b>	-	<b>(10,501)</b>	-
Proceeds from short-term investments	-	-	-	301
Proceeds from sale of property, plant and equipment	-	-	-	211

Purchase of property, plant and equipment	(410)	(1,096)	(860)	(1,096)
Capitalized software costs	(1,251)	(678)	(3,122)	(1,220)
Cash generated from (used in) investing activities	30,522	(1,774)	28,201	(1,804)
Net investing cash flows attributable to discontinued operations	1,603	(3,516)	1,603	(3,516)
Net cash generated from (used in) financing activities	32,125	(5,290)	29,804	(5,320)
Foreign exchange on cash held in foreign currencies	(3,541)	4,885	(4,389)	4,612
Net increase (decrease) in cash and cash equivalents	10,896	62,699	(5,341)	50,615
Cash and cash equivalents, beginning of	50,120	58,662	66,357	70,746
Cash and cash equivalents, end of	\$61,016	\$121,361	\$61,016	\$121,361

### Quarterhill Inc.

Interim Condensed Consolidated Statements of Shareholders' Equity  
(in thousands and in Canadian dollars)

	Note	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		-	-	-	32,569	32,569
Other comprehensive income		-	-	2,549	-	2,549
Stock-based compensation expense		-	951	-	-	951
Exercise of stock options		1,707	(612)	-	-	1,095
Common shares issued from restricted stock units		-	143	-	-	143
Common shares issued from performance stock units		46	(46)	-	-	-
Dividends declared	13	-	-	-	(2,840)	(2,840)
Balance, June 30, 2022		\$546,098	\$50,373	\$2,693	(\$323,581)	\$275,583
Balance, January 1, 2023		\$546,482	\$50,958	\$16,457	(\$356,237)	\$257,660
Net loss		-	-	-	(48,134)	(48,134)
Other comprehensive loss		-	-	(5,415)	-	(5,415)
Stock-based compensation expense		-	388	-	-	388

<b>Common shares issued from restricted stock units</b>		82	(83)	-	-	(1)
<b>Reduction of stated capital</b>	13	(120,000)	120,000	-	-	-
<b>Dividends declared</b>	13	-	-	-	(1,433)	(1,433)
<b>Balance, June 30, 2023</b>		<b>\$426,564</b>	<b>\$171,263</b>	<b>\$11,042</b>	<b>\$(405,804)</b>	<b>\$203,065</b>

### Quarterhill Inc.

Reconciliation of Net (loss) to Adjusted EBITDA

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

	<b>Three months ended June 30,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>\$</b>	<b>Per Share [2]</b>	<b>\$</b>	<b>Per Share</b>
Net loss from continuing operations	<b>(\$13,681)</b>	<b>(\$0.12)</b>	(\$20,357)	(\$0.18)
Adjusted for:				
Income tax expense (recovery)	<b>9,917</b>	<b>0.09</b>	(3,336)	(0.03)
Foreign exchange loss (gain)	<b>1,033</b>	<b>0.01</b>	(1,188)	(0.01)
Finance expense, net	<b>2,288</b>	<b>0.02</b>	2,360	0.03
Other charges	<b>745</b>	<b>0.01</b>	14,506	0.13
Depreciation and amortization	<b>3,866</b>	<b>0.03</b>	3,952	0.03
Stock based compensation expense	<b>53</b>	<b>-</b>	179	-
Other income	<b>(320)</b>	<b>(0.01)</b>	(4,236)	(0.04)
<b>Adjusted EBITDA [1]</b>	<b>\$3,901</b>	<b>\$0.03</b>	<b>(\$8,120)</b>	<b>(\$0.07)</b>

Weighted average number of Common Shares Basic	<b>114,649,772</b>	114,389,952
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	<b>Six months ended June 30,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>\$</b>	<b>Per Share [2]</b>	<b>\$</b>	<b>Per Share</b>
Net loss from continuing operations	<b>(\$25,960)</b>	<b>(\$0.23)</b>	(\$30,221)	(\$0.26)
Adjusted for:				
Income tax expense	<b>9,526</b>	<b>0.08</b>	534	-
Foreign exchange loss (gain)	<b>1,486</b>	<b>0.01</b>	(510)	-
Finance expense, net	<b>4,456</b>	<b>0.04</b>	4,962	0.04
Other charges	<b>2,048</b>	<b>0.02</b>	14,602	0.13
Depreciation and amortization	<b>7,698</b>	<b>0.08</b>	8,130	0.07
Stock based compensation expense	<b>365</b>	<b>-</b>	769	0.01
Other income	<b>(908)</b>	<b>(0.01)</b>	(8,257)	(0.08)
<b>Adjusted EBITDA [1]</b>	<b>(\$1,289)</b>	<b>(\$0.01)</b>	<b>(\$9,991)</b>	<b>(\$0.09)</b>

Weighted average number of Common Shares

Basic

**114,644,764**

114,154,645

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.

View original content:<https://www.prnewswire.com/news-releases/quarterhill-announces-strong-q2-fiscal-2023-financial-results-301896572.html>

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