



NEWS RELEASE

Quarterhill Announces Third Quarter 2020 Financial Results

2020-11-05

KITCHENER, ON, Nov. 5, 2020 /PRNewswire/ - Quarterhill Inc. ("Quarterhill" or the "Company") (TSX: QTRH) (OTCQX: QTRHF), announces its financial results for the three- and nine-month periods ended September 30, 2020. The Company historically prepared its consolidated financial statements in accordance with U.S. GAAP and in U.S. dollars. Effective January 1, 2020, the Company has adopted IFRS and the Canadian dollar as its reporting currency. The Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2019, and throughout all periods presented as if these policies had always been in effect. All financial information in this press release is reported in Canadian dollars, unless otherwise indicated.

Third Quarter 2020 Financial Highlights

- Revenue was \$88.0 million, exceeding the high-end of the expected \$80.0-\$87.0 million range previously provided
- Adjusted EBITDA¹ was \$39.0 million, exceeding the high-end of the expected \$32.0-\$36.0 million range previously provided
- Net income was \$24.5 million, or \$0.21 per basic and diluted common share
- Cash generated from operations was \$4.5 million
- Cash, cash equivalents, and short-term investments were \$129.7 million at September 30, 2020. Cash and equivalents declined in Q3 due primarily to working capital adjustments and the timing of collections for certain license agreements completed near quarter-end. Payment on these agreements was received subsequent to quarter-end
- Working capital was \$180.3 million at September 30, 2020

Third Quarter 2020 Operational Highlights

- Appointed John Rim as Chief Financial Officer
- Completed a Substantial Issuer Bid, returning \$5.8 million to shareholders via the purchase of 2.7 million common shares at a purchase price of \$2.15 per share
- Launched a Normal Course Issuer Bid to acquire up to 10%, or 11.3 million, of the Company's

common shares in the public float. Acquired 1.6 million Common Shares at an average price of \$1.89 per share, totaling approximately \$3.0 million, in the quarter

- Strong licensing activity at WiLAN included new agreements with Intel and Kingston Technology Corporation
- New orders at IRD included the State of New York and, internationally, in Ukraine and Paraguay

"Q3 was a busy and successful period for Quarterhill and its portfolio companies. On October 8, we announced preliminary Q3 revenue of \$80-87 million and Adjusted EBITDA of \$32-36 million and we are pleased to have come in above the high-end of the range for both metrics," said Paul Hill, President and CEO of Quarterhill. "These strong results were driven by a record quarter at IRD and by substantial licensing activity at WiLAN, which had its best quarter in three years. At the same time, Quarterhill delivered on its promise to return additional capital to shareholders via completion of our substantial issuer bid and the commencement of our normal course issuer bid. Q3 results, combined with our already strong balance sheet, are enabling us to consider a broad set of M&A opportunities."

Approval of Eligible Dividend

The Board of Directors has declared an eligible quarterly dividend of \$0.0125 per common share payable on January 11, 2021, to shareholders of record on December 11, 2020.

Q3 2020 and Year-to-date Consolidated Financial Review

Financial statements for the three- and nine-month periods ended September 30, 2020 and for the respective comparison periods, have been prepared to reflect continuing operations and therefore exclude results during those periods from VIZIYA, which was sold by Quarterhill on May 15, 2020. The year-to-date operating results from VIZIYA, up to the date of sale on May 15, 2020, are reported as net income (loss) from discontinued operations in accordance with IFRS 5.

Consolidated revenues for the three-month period ended September 30, 2020 ("Q3 2020") were \$88.0 million, compared to \$21.9 million in Q3 2019. Consolidated revenues for the nine-month period ended September 30, 2020 ("YTD 2020") were \$126.4 million, compared to \$124.6 million in the same period last year. The majority of WiLAN's licenses are one-time in nature and significant fluctuations in revenue, gross margin, and Adjusted EBITDA can result when the volume or dollar value of licenses changes from one period to the next. Revenue was higher in the Q3 2020 and YTD 2020 periods due primarily to the closure of a greater volume, and value, of licensing contracts in 2020 than in the prior year periods.

Recurring revenue for the Q3 2020 and YTD 2020 periods was \$5.4 million and \$14.9 million, compared to \$4.5 million and \$16.2 million in the same periods last year. The vast majority of recurring revenue is generated by IRD. Certain revenues characterized as recurring have a timing component to them and are recognized when the related work is completed. As such, the decrease in recurring revenue for the YTD 2020 period is primarily a timing-based issue and does not reflect lower renewal or retention rates.

Gross margin for the Q3 2020 and YTD 2020 periods was 51.8% and 45.2%, compared to 11.4% and 40.6% in the same periods last year. Gross margin was higher in Q3 2020 and on a year-to-date 2020 basis primarily due to lower cost of revenue on licenses entered into by WiLAN as well as higher

profitability on certain projects entered into by IRD in Q3 2020.

Operating expenses include selling, general and administrative costs ("SG&A"), research and development costs ("R&D"), depreciation and amortization of intangible assets, impairment loss on intangibles and special charges. For Q3 2020, Quarterhill had no special charges compared to a special charge recovery of \$15.3 million in Q3 2019. YTD 2020, special charges were \$0.9 million compared to \$1.4 million in the same period last year. Excluding special charges, operating expenses for the Q3 2020 and YTD 2020 periods decreased by 9.5% and 11.8%, respectively. This reflects lower amortization of intangibles as well as lower SG&A and R&D costs, which was primarily due to reduced operating costs.

Adjusted EBITDA for the Q3 2020 and YTD 2020 periods was \$39.0 million and \$37.3 million, compared to (\$4.4) million and \$29.8 million in the same periods last year. The increase in Adjusted EBITDA was driven by strong revenue from both businesses, lower cost of revenues and ongoing cost containment.

Net income for Q3 2020 was \$24.5 million, or \$0.21 per basic and diluted common share, compared to net income of \$12.3 million, or \$0.10 per basic and diluted common share, in Q3 2019. Net income for the YTD 2020 period was \$28.9 million, or \$0.25 per basic common share and \$0.24 per diluted common share, compared to net income of \$6.3 million, or \$0.05 per basic and diluted common share, in the same period last year. Net income in Q3 2020 increased due to operational strength with both portfolio companies; for the YTD 2020 period, net income increased due to higher revenue, lower costs and the gain on the sale of VIZIYA in Q2 2020.

Cash generated from (used in) continuing operations for the Q3 2020 and YTD 2020 periods was \$4.5 million and \$9.9 million, compared to (\$15.6) million and \$13.5 million in the same periods last year. Cash and cash equivalents and short-term investments was \$129.7 million at September 30, 2020, compared to \$89.4 million at December 31, 2019. Working capital at September 30, 2020, was \$180.3 million compared to \$112.7 million at December 31, 2019.

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://produceredition.webcasts.com/starthere.jsp?ei=1388512&tp_key=4c7abf2b0a

Dial-in Information

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

Replay Information

Webcast replay will be available for 365 days at: https://produceredition.webcasts.com/starthere.jsp?ei=1388512&tp_key=4c7abf2b0a

Telephone replay will be available from 1:00 p.m. Eastern Daylight Time on November 5, 2020 until 11:59 p.m. Eastern Daylight Time on November 19, 2020 at: 1.855.859.2056 (Toll Free North America) or 1.416.849.0833 (International). The telephone replay requires the passcode 8577096.

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

Segmented statements of income (loss) for the three- and nine-month periods ended September 30, 2020 and 2019 are included below:

CONTINUING OPERATIONS	For the three months ended September 30, 2020			
	Licensing	Intelligent Systems	Corporate	Total
Revenues				
	\$ 67,192	\$ —	\$ —	\$ 67,192
License	—	15,380	—	15,380
Systems	71	5,354	—	5,425
Recurring	67,263	20,734	—	87,997
Direct cost of revenues	32,118	10,278	—	42,396
Gross profit	35,145	10,456	—	45,601
Depreciation of right-of-use assets	61	181	15	257
Depreciation and amortization	3,449	1,522	5	4,976
Selling, general and administrative expenses	862	2,607	2,955	6,424
Research and development expenses	—	390	—	390
Impairment losses of intangible assets	62	—	—	62
Results from operations	30,711	5,756	(2,975)	33,492
Finance (income) expense, net	(18)	110	(85)	7
Foreign exchange (gain) loss	(280)	305	47	72

Other income	—	(383)	—	(383)
Income (loss) before taxes	31,009	5,724	(2,937)	33,796
Income tax expense	7,608	1,236	424	9,268
Net income (loss) from continuing operations	\$ 23,401	\$ 4,488	\$ (3,361)	\$ 24,528
Adjusted EBITDA	\$ 34,353	\$ 7,477	\$ (2,795)	\$ 39,035

**For the Nine months ended September 30,
2020**

CONTINUING OPERATIONS	Licensing	Intelligent Systems	Corporate	Total
Revenues				
	\$ 77,009	\$ —	\$ —	\$ 77,009
License	—	34,521	—	34,521
Systems	774	14,130	—	14,904
Recurring	77,783	48,651	—	126,434
Direct cost of revenues	40,949	28,290	—	69,239
Gross profit	36,834	20,361	—	57,195
Depreciation of right-of-use assets	185	508	45	738
Depreciation and amortization	10,552	4,469	16	15,037
Selling, general and administrative expenses	2,586	8,424	7,535	18,545
Research and development expenses	—	1,814	—	1,814
Impairment losses of intangible assets	295	—	—	295
Special charges	—	659	213	872

Results from operations	23,216	4,487	(7,809)	19,894
Finance (income) expense, net	(62)	228	(327)	(161)
Foreign exchange loss (gain)	1,316	(624)	(1,205)	(513)
Other income	—	(1,192)	—	(1,192)
Income (loss) before taxes	21,962	6,075	(6,277)	21,760
Income tax expense	2,879	730	3,522	7,131
Net income (loss) from continuing operations	\$ 19,083	\$ 5,345	\$ (9,799)	\$ 14,629
Adjusted EBITDA	\$ 34,417	\$ 10,186	\$ (7,323)	\$ 37,280

For the three months ended September 30, 2019

CONTINUING OPERATIONS	Licensing	Intelligent Systems	Corporate	Total
Revenues				
License	\$ 4,833	\$ —	\$ —	\$ 4,833
Systems	—	12,586	—	12,586
Recurring	139	4,385	—	4,524
	\$ 4,972	\$ 16,971	\$ —	\$ 21,943
Direct cost of revenues	8,694	10,752	—	19,446
Gross profit	(3,722)	6,219	—	2,497
Depreciation of right-of-use assets	98	177	15	290
Depreciation and amortization	4,533	1,429	5	5,967
Selling, general and administrative expenses	559	3,121	2,729	6,409

Research and development expenses	—	712	—	712
Special charges	9	—	(15,286)	(15,277)
Results from operations	(8,921)	780	12,537	4,396
Finance (income) expense, net	(166)	101	(290)	(355)
Foreign exchange loss (gain)	151	(292)	(69)	(210)
Other income	—	(157)	—	(157)
(Loss) income before taxes	(8,906)	1,128	12,896	5,118
Income tax (recovery) expense	(2,725)	65	430	(2,230)
Net (loss) income from continuing operations	\$ (6,181)	\$ 1,063	\$ 12,466	\$ 7,348
Adjusted EBITDA	(4,269)	2,415	(2,532)	(4,386)

For the Nine months ended September 30, 2019

CONTINUING OPERATIONS	Licensing	Intelligent Systems	Corporate	Total
Revenues				
	\$ 74,360	\$ —	\$ —	\$ 74,360
License	—	34,069	—	34,069
Systems	1,102	15,096	—	16,198
Recurring	\$ 75,462	\$ 49,165	\$ —	\$ 124,627
Direct cost of revenues	41,732	32,348	—	74,080
Gross profit	33,730	16,817	—	50,547
Depreciation of right-of-use assets	479	532	45	1,056
Depreciation and amortization	14,022	4,737	15	18,774

Selling, general and administrative expenses	1,542	9,516	8,170	19,228
Research and development expenses	—	2,229	—	2,229
Special charges	2,444	—	(1,042)	1,402
Results from operations	15,243	(197)	(7,188)	7,858
Finance (income) expense, net	(228)	536	(856)	(548)
Foreign exchange (gain) loss	(340)	37	458	155
Other income	(4)	(492)	—	(496)
Income (loss) before taxes	15,815	(278)	(6,790)	8,747
Income tax expense (recovery)	7,652	(1,013)	(347)	6,292
Net income (loss) from continuing operations	\$ 8,163	\$ 735	\$ (6,443)	\$ 2,455
Adjusted EBITDA	\$ 32,187	\$ 5,176	\$ (7,529)	\$ 29,834

¹ Non-IFRS Disclosure

Quarterhill has historically used a set of metrics when evaluating our operational and financial performance. We continually monitor, evaluate and update these metrics as required to ensure they provide information considered most useful, in the opinion of our management, to any decision-making based on Quarterhill's performance. This section defines, quantifies and analyzes the key performance indicators used by our management and referred to elsewhere in this press release, which are not recognized under IFRS and have no standardized meaning prescribed by IFRS. These indicators and measures are therefore unlikely to be comparable to similar measures presented by other issuers.

In this press release, we use the Non-IFRS term "Adjusted EBITDA" to mean net income (loss) from continuing operations before: (i) income taxes; (ii) finance expense or income; (iii) amortization and impairment of intangibles; (iv) special charges and other one-time items; (v) depreciation of right-of-use assets and property, plant and equipment; (vi) effects of deleted deferred revenue; (vii) stock-based compensation; (viii) foreign exchange (gain) loss; and (ix) equity in earnings and dividends 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 income and cash flows from operations as determined in accordance with IFRS or as a measure of liquidity.

About Quarterhill

Quarterhill is a growth-oriented company in the Intellectual Property and Intelligent Transportation System (ITS) industries. Our goal is to pursue an investment strategy that capitalizes on attractive market trends in both 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 statements regarding Quarterhill and its business. 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, including: potential risks and uncertainties relating to the ultimate geographic spread of the novel coronavirus ("COVID-19"); the severity of the disease; the duration of the COVID-19 outbreak; actions that may be taken by governmental authorities to contain the COVID-19 outbreak or to treat its impact; the potential negative impacts of COVID-19 on the global economy and financial markets and any resulting impact on Quarterhill and/or its business. Other factors include, without limitation, the risks described in Quarterhill's February 27, 2020 annual information form for the year ended December 31, 2019 (the "AIF"). Copies of the AIF may be obtained at www.sedar.com. Quarterhill recommends that readers review and consider all of these risk factors and notes that readers should not place undue reliance on any of Quarterhill's forward-looking statements. Quarterhill has no intention, and undertakes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Quarterhill Inc.

Interim Condensed Consolidated Statements of Income and Comprehensive Income and (Loss)

(Unaudited)

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

Three months ended September 30,		Nine months ended September 30,	
2020	2019	2020	2019

Revenues				
	\$ 67,192	\$ 4,833	\$ 77,009	\$ 74,360
License	15,380	12,586	34,521	34,069
Systems	5,425	4,524	14,904	16,198
Recurring	87,997	21,943	126,434	124,627
Direct cost of revenues				
	32,064	8,694	40,867	41,732
License	8,202	7,497	20,776	21,721
Systems	2,130	3,255	7,596	10,627
Recurring	42,396	19,446	69,239	74,080
Gross profit	45,601	2,497	57,195	50,547
Operating expenses				
	257	290	738	1,056
Depreciation of right-of-use assets				
Depreciation of property, plant and equipment	250	188	721	1,086
Amortization of intangibles	4,726	5,779	14,316	17,688
Selling, general and administrative expenses	6,424	6,409	18,545	19,228
Research and development expenses	390	712	1,814	2,229
Impairment losses on intangibles	62	—	295	—
Special charges	—	(15,277)	872	1,402
Results from operations	12,109	(1,899)	37,301	42,689
Finance income	(146)	(499)	(528)	(1,157)
Finance expense	153	144	367	609
Foreign exchange loss (gain)	72	(210)	(513)	155
Other income	(383)	(157)	(1,192)	(496)

Income before taxes	33,796	5,118	21,760	8,747
Current income tax expense	325	342	1,669	5,797
Deferred income tax expense (recovery)	8,943	(2,572)	5,462	495
Income tax expense (recovery)	9,268	(2,230)	7,131	6,292
Net income from continuing operations	\$ 24,528	\$ 7,348	\$ 14,629	\$ 2,455
Net income from discontinued operations	—	4,927	14,255	3,835
Net income	\$ 24,528	\$ 12,275	\$ 28,884	\$ 6,290
Other comprehensive income (loss) that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	(4,693)	1,661	5,182	(7,208)
	\$19,835	\$13,936	\$34,066	\$(918)
Comprehensive income (loss)				
Net income per share	\$0.21	\$0.06	0.13	0.02
From continuing operations	\$ —	\$0.04	0.12	0.03
From discontinued operations				
Net income per share - Basic	\$0.21	\$0.10	0.25	0.05
	\$0.21	\$0.06	0.12	0.02
From continuing operations	\$ —	\$0.04	0.12	0.03
From discontinued operations				
Net income per share - Diluted	\$0.21	\$0.10	0.24	0.05

Quarterhill Inc.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

(in thousands of Canadian dollars)

As at	September 30, 2020	December 31, 2019	January 1, 2019
Current assets			
	\$ 124,130	\$ 87,870	\$ 87,029
Cash and cash equivalents	5,549	1,550	1,551
Short-term investments	—	—	2,995
Restricted short-term investments	72,043	42,925	14,719
Accounts receivable (net of allowance for doubtful accounts)	145	108	124
Other current assets	16,059	8,965	5,432
Unbilled revenue	220	137	270
Income taxes receivable	10,241	8,570	8,114
Inventories (net of obsolescence)	3,412	2,242	2,927
Prepaid expenses and deposits	231,799	152,367	123,161
Non-current assets			
	667	3,846	565
Accounts receivable	3,622	4,502	3,972
Right-of-use assets	2,977	2,826	3,614
Property, plant and equipment	64,867	89,534	119,015
Intangible assets	6,701	5,233	5,203
Investment in joint venture	27,494	33,270	36,948
Deferred income tax assets	16,910	32,977	34,446
Goodwill	123,238	172,188	203,763
TOTAL ASSETS	\$ 355,037	\$ 324,555	\$ 326,924
Liabilities			
Current liabilities			
	\$ 3,214	\$ 4,026	\$ 3,537

Bank indebtedness	40,198	25,755	24,644
Accounts payable and accrued liabilities	1,498	—	—
Dividends payable	344	203	—
Income taxes payable	886	998	1,120
Current portion of lease liabilities	—	—	1,265
Contingent liabilities	5,339	8,638	6,357
Current portion of deferred revenue	43	59	407
Current portion of long-term debt	51,522	39,679	37,330
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Non-current liabilities			
	3,103	1,513	1,954
Deferred revenue	2,746	3,550	2,604
Long-term lease liabilities	268	271	236
Long-term debt	368	3,297	5,905
Deferred income tax liabilities	6,485	8,631	10,699
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TOTAL LIABILITIES	\$ 58,007	\$ 48,310	\$ 48,029
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Shareholders' equity			
	\$ 561,269	\$ 570,553	\$ 570,553
Capital stock	32,455	32,011	31,252
Contributed surplus	16,118	10,936	22,112
Accumulated other comprehensive income	(312,812)	(337,255)	(345,022)
Deficit	297,030	276,245	278,895
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 355,037	\$ 324,555	\$ 326,924
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Quarterhill Inc.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash generated from (used in) Operations				
Net income from continuing operations	\$ 24,528	\$ 7,348	\$ 14,629	\$ 2,455
Non-cash items				
Stock-based compensation expense	248	238	444	744
Depreciation of right-of-use assets	257	290	738	1,056
Interest expense on lease liabilities	59	67	171	170
Depreciation and amortization	4,976	5,967	15,037	18,774
Foreign exchange (gain) loss	(38)	46	(232)	(81)
Equity in earnings from joint venture	(383)	(157)	(1,192)	(496)
Impairment losses on intangibles	62	—	295	—
Loss (gain) on disposal of assets	14	(26)	4	759
Deferred income tax expense (recovery)	8,943	(2,572)	5,462	495
Long-term accounts receivable	—	—	—	(85)
Embedded derivatives	69	(106)	(32)	26
	—	(15,286)	—	(1,042)

Contingent consideration adjustment				
Changes in non-cash working capital balances	(34,231)	(11,425)	(25,414)	(9,239)
Cash generated from (used in) continuing operations	4,504	(15,616)	9,910	13,536
Net cash flows attributable to discontinuing operations	—	(439)	(4,349)	430
Net cash generated from (used in) operating activities	4,504	(16,055)	5,561	13,966
Financing				
	(1,443)	(1,475)	(2,924)	(4,450)
Dividends paid	(3,596)	(1,005)	(612)	1,561
Bank indebtedness	(274)	(318)	(860)	(1,189)
Payment of lease liabilities	(8)	(25)	(128)	(325)
Repayment of long-term debt	—	—	14	—
Exercise of stock options	(9,322)	—	(9,322)	—
Repurchase of shares for cancellation	—	—	24	—
Common shares issued from Performance Stock Units	—	—	24	—
Cash used in continuing operations	(14,643)	(2,823)	(13,808)	(4,403)
Net cash flows attributable to discontinuing operations	—	(8)	—	(27)
Net cash used in financing activities	(14,643)	(2,831)	(13,808)	(4,430)
Investing				
Proceeds from disposition of a subsidiary	—	—	49,400	—
Cash sold on disposition of a subsidiary	—	—	(1,825)	—
	(4,054)	—	(4,054)	—
Purchase of short-term investments	—	132	—	132
Proceeds from sale of restricted short-term investments	16	30	32	30
Proceeds from sale of property, plant and equipment	(309)	(312)	(1,196)	(811)
Purchase of property and equipment	(30)	(1,759)	(55)	(1,884)

Purchase of intangibles				
Cash (used in) generated from continuing operations	(4,377)	(1,909)	42,302	(2,533)
Net cash flows attributable to discontinuing operations	—	(37)	(81)	(160)
Net cash (used in) generated from investing activities	(4,377)	(1,946)	42,221	(2,693)
Foreign exchange (loss) gain on cash held in foreign currency	(2,869)	900	2,286	(2,721)
Net (decrease) increase in cash and cash equivalents	(17,385)	(19,932)	36,260	4,122
Cash and cash equivalents, beginning of period	141,515	111,083	87,870	87,029
Cash and cash equivalents, end of period	\$ 124,130	\$ 91,151	124,130	91,151

Quarterhill Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

For the nine months ended September 30, 2020 and 2019

(In thousands of Canadian dollars)

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Equity
January 1, 2019	\$ 570,553	\$ 31,252	\$ 22,112	\$ (345,022)	\$ 278,895
Net income	—	—	—	6,290	6,290
Other comprehensive loss	—	—	(7,208)	—	(7,208)
Stock-based compensation expense	—	744	—	—	744

Dividends declared	—	—	—	(4,450)	(4,450)
September 30, 2019	570,553	31,996	14,904	(343,182)	274,271
January 1, 2020	\$ 570,553	\$ 32,011	\$ 10,936	\$ (337,255)	\$ 276,245
Net income	—	—	—	28,884	28,884
Repurchase of shares for cancellation	(9,322)	—	—	—	(9,322)
Other comprehensive income	—	—	5,182	—	5,182
Stock-based compensation expense	—	444	—	—	444
Exercise of options	14	—	—	—	14
Common shares issued from performance stock units	24	—	—	—	24
Dividends declared	—	—	—	(4,441)	(4,441)
September 30, 2020	561,269	32,455	16,118	(312,812)	297,030

Quarterhill Inc.

Reconciliations of Net income to Adjusted EBITDA

(Unaudited)

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

	Three months ended September 30,			
	2020		2019	
	\$	Per Share	\$	Per Share
Net income from continuing operations	\$ 24,528	\$ 0.21	\$ 7,348	\$ 0.06
Adjusted for:				
	9,268	0.08	(2,230)	(0.02)
Income tax expense (recovery)	72	—	(210)	—
Foreign exchange loss (gain)	153	—	144	—
Finance expense	(146)	—	(499)	—
Finance income	—	—	(15,277)	(0.13)
Special charges	62	—	—	—
Impairment losses on intangible assets	4,726	0.05	5,779	0.05
Amortization of intangibles	250	—	188	—
Depreciation of property, plant and equipment	257	—	290	—
Depreciation of right-of-use assets	248	—	238	—
Stock based compensation expense	(383)	—	(157)	—
Other income				
Adjusted EBITDA	\$ 39,035	\$ 0.34	\$ (4,386)	\$ (0.04)

Weighted average number of Common Shares

	115,990,313	118,817,466
Basic		

Quarterhill Inc.

Reconciliations of Net income to Adjusted EBITDA

(Unaudited)

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

	Nine months ended September 30, 2020			
	2020		2019	
	\$	Per Share	\$	Per Share
Net income from continuing operations	\$ 14,629	\$ 0.13	\$ 2,455	\$ 0.02
Adjusted for:				
	7,131	0.06	6,292	0.05
Income tax expense	(513)	—	155	—
Foreign exchange (gain) loss	367	—	609	0.01
Finance expense	(528)	—	(1,157)	(0.01)
Finance income	872	0.01	1,402	0.01
Special charges	295	—	—	—
Impairment losses on intangible assets	14,316	0.12	17,688	0.15
Amortization of intangibles	721	—	1,086	0.01
Depreciation of property, plant and equipment	738	0.01	1,056	0.01
Depreciation of right-of-use assets	444	—	744	0.01
Stock based compensation expense	(1,192)	(0.01)	(496)	(0.01)
Other income				
Adjusted EBITDA	\$ 37,280	\$ 0.32	\$ 29,834	\$ 0.25

Weighted average number of Common Shares

	117,884,124	118,817,466
Basic		

View original content:<http://www.prnewswire.com/news-releases/quarterhill-announces-third-quarter-2020-financial-results-301166992.html>

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