RDM Corporation Reports Fiscal 2016 First Quarter Financial Results

- Recurring revenue increases 15% and now represents 69% of total revenue -

WATERLOO, ON, January 28, 2016 – RDM Corporation (TSX:RC), a leading provider of specialized software and hardware products for electronic payment processing, today reported its financial results for the first quarter fiscal 2016 ended December 31, 2015. All financial results are reported in thousands of U.S. dollars unless otherwise stated.

"This quarter we continued the successful transition to a recurring revenue business model with recurring revenue representing 69% of total revenue," said Randy Fowlie, President and CEO of RDM Corporation. "Recurring revenue increased 15%, operating income increased 43% and Adjusted EBITDA increased 28%. This is a testament to the success of our business model. In addition, the Board of Directors declared a quarterly dividend of $0.02, which is a 33% increase over the current dividend."

Q1 Fiscal 2016 Highlights *(Unless otherwise noted, comparisons are made between Q1 fiscal 2016 and Q1 fiscal 2015)*

- Total revenue was $5,429 compared to $5,846
- Recurring Payment Processing revenue was $3,740, up 15% from $3,243
- Total Payment Processing revenue was $3,840, a 13% increase from $3,397
- Digital Imaging revenue was $1,589 compared to $2,449
- Gross margin was 67% up from 59%
- Operating income increased 43% to $1,450 from $1,017
- Adjusted EBITDA was $1,761, up 28% from $1,376
- Net income was $1,026 compared to $1,123
- End user seats were 45,456 seats, a 19% increase over Q1 fiscal 2015
- Generated $1,415 in cash from operations, up 66% compared to $852, and ended the quarter with $27,883 in cash and cash equivalents
- The Board declared a quarterly cash dividend of $0.02 per common share, a 33%, increase over the quarterly dividend last year

Dividend

A quarterly dividend of $0.02 per share will be paid on March 3, 2016 to shareholders of record on February 19, 2016. This represents a $0.005, or 33%, increase over the $0.015 dividend the Company previously paid per quarter. The dividends to be paid on March 3, 2016 are designated as "eligible dividends" for the purpose of section 89 of the Income Tax Act (Canada).

Conference Call

RDM will be hosting a conference call to discuss the Company's fiscal 2016 first quarter and results on Thursday, January 28, 2016 at 9:00 a.m. EDT. Dial-in numbers are 647-427-7450 or 1-888-231-8191. The call will be webcast live and archived at **www.rdmcorp.com**. Detailed financial results and Management's Discussion and Analysis ("MD&A") will be filed on **www.sedar.com**.

Non-IFRS Measures

Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization adjusted for foreign exchange gains and losses, stock-based compensation and one-time charges) and operating income do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Adjusted EBITDA is provided to assist management and investors in determining the Company's approximate operating cash flow before interest, income taxes, and depreciation and amortization, foreign exchange, stock-based compensation and one-time charges. Management believes that RDM shareholders and potential investors in RDM use non-IFRS financial measures such as adjusted EBITDA and operating income in making investment decisions about the Company and measuring the operational results.

About RDM Corporation

RDM Corporation provides large financial institutions with Remote Deposit Capture (RDC) solutions designed to help their clients simplify the way they do business. RDM processes over $600 billion in payments annually and helps financial institutions increase revenue, expand market share and improve customer service for over 80,000 end users.

Four of the top ten financial institutions in the United States use RDM's payment processing solutions. RDM serves 31 percent of the top 100 Fortune 500 companies including brokerage firms, big-box retailers, healthcare and insurance providers, and government entities. Working with clients for over 25 years, RDM provides both software and hardware solutions including web-based and mobile RDC, and manufactures a wide range of digital imaging scanners. For more information, visit **www.rdmcorp.com**.

Forward-looking statements

This news release contains forward-looking statements. Forward-looking statements are based on estimates and assumptions made by RDM in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that RDM believes are appropriate in the circumstances. Many factors could cause RDM's actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements. Risk factors relating to RDM are discussed in the Risks and Uncertainties section of RDM's Annual Information Form and year-end Management's Discussion and Analysis. These factors should be considered carefully, and readers should not place undue reliance on RDM's forward-looking statements. RDM 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.

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RDM CORPORATION
Condensed Consolidated Interim Balance Sheets
(Amounts in thousands of U.S. Dollars)

(Not audited or reviewed by the Company's external auditor)

	December 31, 2015		September 30, 2015	
Assets:				
Current assets:				
Cash and cash equivalents	$	27,883	$	26,405
Accounts receivable		3,357		3,598
Unbilled revenue		39		48
Inventories		2,157		1,821
Investment tax credits receivable		142		130
Prepaid and other assets		691		836
Total current assets		34,269		32,838
Investment tax credits		1,355		1,586
Property and equipment		1,972		1,910
Intangible assets	610		701	
Total assets	$	38,206	$	37,035
Liabilities and shareholders' equity:				
Current liabilities:				
Accounts payable and accrued liabilities	$	2,615	$	2,869
Deferred revenue		358		282
Derivative liability		41		-
Total current liabilities		3,014		3,151
Deferred income taxes		538		561
Shareholders' equity:				
Share capital		21,902		21,106
Contributed surplus		2,502		2,697
Accumulated other comprehensive income		(41)		-
Retained earnings		10,291		9,520
Total shareholders' equity		34,654		33,323
Total liabilities and shareholders' equity	$	38,206	$	37,035

RDM CORPORATION

Condensed Consolidated Interim Statements of Income

(Amounts in thousands of U.S. Dollars, except per share data)

(Not audited or reviewed by the Company's external auditor)

Three months ended December 31	2015	2014
Revenue:		
Payment Processing Services	$ 3,840	$ 3,397
Digital Imaging Products	1,589	2,449
	5,429	5,846
Cost of revenue	1,783	2,413
Gross profit	3,646	3,433
Operating expenses:		
Sales and marketing	681	750
Research and development	985	1,163
General and administration	530	503
	2,196	2,416
Operating income	1,450	1,017
Other items:		
Foreign exchange gain (loss)	(7)	16
Interest income	23	15
Other income	-	120
	16	151
Income before income taxes	1,466	1,168
Income tax expense		
Current	417	45
Deferred	23	-
	440	45
Net income	$ 1,026	$ 1,123
Earnings per share – basic and diluted	$ 0.04	$ 0.05
Weighted average common shares outstanding during the period	22,287,476	21,661,226

RDM CORPORATION

Condensed Consolidated Interim Statements of Comprehensive Income

(Amounts in thousands of U.S. Dollars)

(Not audited or reviewed by the Company's external auditor)

Three months ended December 31		2015		2014
Net income	$	1,026	$	1,123
Other comprehensive income:				
Effective portion of changes in fair value of cash flow hedges		(41)		(47)
Comprehensive income	$	985	$	1,076

RDM CORPORATION
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Amounts in thousands of U.S. Dollars)

(Not audited or reviewed by the Company's external auditor)

	Share capital	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total
Balance as at September 30, 2014	$ 20,512	$ 2,535	$ -	$ 5,171	$ 28,218
Total comprehensive income for the period:					
Net income	-	-	-	1,123	1,123
Effective portion of changes in fair value of cash flow hedges	-	-	(47)	-	(47)
Issuance of share capital	51	(24)	-	-	27
Dividends paid	-	-	-	(190)	(190)
	20,563	2,511	(47)	6,104	29,131
Stock-based compensation	-	107	-	-	107
Balance as at December 31, 2014	$ 20,563	$ 2,618	$ (47)	$ 6,104	$ 29,238
Balance as at September 30, 2015	$ 21,106	$ 2,697	$ -	$ 9,520	$ 33,323
Total comprehensive income for the period:					
Net income	-	-	-	1,026	1,026
Effective portion of changes in fair value of cash flow hedges	-	-	(41)	-	(41)
Issuance of share capital	796	(280)	-	-	516
Dividends paid	-	-	-	(255)	(255)
	21,902	2,417	(41)	10,291	34,569
Stock–based compensation	-	85	-	-	85
Balance as at December 31, 2015	$ 21,902	$ 2,502	$ (41)	$ 10,291	$ 34,654

RDM CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
(Amounts in thousands of U.S. Dollars)

(Not audited or reviewed by the Company's external auditor)

Three months ended December 31	2015	2014
Cash provided by (used in):		
Operations:		
Net income	$ 1,026	$ 1,123
Items not involving cash:		
Current income tax expense	417	45
Deferred income tax expense	23	-
Depreciation of property and equipment	133	181
Amortization of intangible assets	94	71
Stock-based compensation	85	107
Interest earned	(24)	(15)
Change in non-cash operating working capital	(351)	(665)
Cash provided by operations	1,403	847
Interest received	12	5
Net cash provided by operating activities	1,415	852
Financing:		
Issuance of share capital	516	27
Dividends paid	(255)	(190)
Cash used in by financing activities	261	(163)
Investing:		
Purchase of property and equipment	(195)	(97)
Additions to intangible assets	(3)	(5)
Cash used in investing activities	(198)	(102)
Increase (decrease) in cash and cash equivalents	1,478	587
Cash and cash equivalents, beginning of period	26,405	22,422
Cash and cash equivalents, end of period	$ 27,883	$ 23,009

RDM CORPORATION

Reconciliation of Adjusted EBITDA to Income for the period

(Amounts in thousands of U.S. Dollars)

(Not audited or reviewed by the Company's external auditor)

Three months ended December 31		2015		2014
Net income	$	1,026	$	1,123
Income tax expense		440		45
Interest income		(24)		(15)
Depreciation and amortization		227		252
Foreign exchange loss (gain)		7		(16)
Stock-based compensation		85		107
Other expense (income)		-		(120)
Adjusted EBITDA	$	1,761	$	1,376