

Quarterhill Reports First Quarter 2026 Financial Results

TORONTO, May 14, 2026 /CNW/ - **Quarterhill Inc. ("Quarterhill" or the "Company")** (TSX: QTRH) (OTCQX: QTRHF), a leading technology innovator providing next-generation, AI-driven Intelligent Transportation System ("ITS") solutions, reported financial results for the first quarter ended March 31, 2026. All financial information in this press release is reported in U.S. dollars unless otherwise indicated.

Quarterhill delivered its third consecutive positive adjusted EBITDA² quarter, supported by 14% year-over-year revenue growth and 28% gross margins¹, a 1600 basis point improvement from the year-ago period. With a recently completed refinancing, a \$100M uncommitted accordion facility to fuel accretive M&A, and continued momentum in new tolling and commercial vehicle contract wins, 2026 is shaping up to be a defining year for Quarterhill.

Management Commentary

"This quarter, we delivered strong operational performance and made significant strides on our capital structure," **said Chuck Myers, Quarterhill's Chief Executive Officer**. "The refinancing of our debt strengthens our financial foundation, allowing us to be aggressive and providing the capital to be opportunistic on the M&A front as we look to grow the business.

"That foundation is reinforced by the discipline displayed in our results. Delivering 28% gross margins in Q1 is a clear proof point of the operational rigor this management team has implemented, and it sets the stage for continued expansion on margins as we scale. Adding to that momentum, our organic sales initiatives continue to gain traction, with several new pieces of business in marquee markets such as California and New Jersey.

"From the outset, we said we were going to properly structure the organization, clean up the balance sheet, and then focus on growth. With the first two legs now steadily behind us, 2026 is all about driving growth, both organically and through accretive M&A. We are well positioned to execute on that vision.

"We feel this is going to be a truly exciting year. Our cutting-edge solutions have Quarterhill set up for continued success with best-in-class technology, powerful AI capabilities, strong backlog visibility, and a revamped balance sheet. We are successfully building the AI-first intelligent transportation platform, and the future is bright."

Q1 2026 and Recent Financial Highlights

- Secured a \$60 million credit facility, comprising a \$30 million initial term loan, \$25 million delayed draw facility, and \$5 million revolver, with an additional \$100 million uncommitted incremental capacity available, providing strong financial flexibility through 2031 to support growth initiatives.
- First quarter revenue of \$38.6 million, a 14% increase compared to \$33.9 million in the year-ago period.
- Adjusted EBITDA² totaled \$2.0 million, compared to (\$3.4) million in Q1 2025, representing a \$5.5 million year-over-year improvement and marking the Company's third consecutive quarter of positive Adjusted EBITDA.
- Gross margin¹ expanded to 28%, an improvement of 1,600 basis points compared to 12% in Q1 2025.
- Revenue backlog³ was \$428.8 million at March 31, 2026.

Q1 2026 Recent Business and Operational Highlights

- **New Tolling State Agency Customer (\$6.3 Million):** Contract to deliver Quarterhill's AI-first intelligent transportation platform, a solution that will modernize tolling operations and give customers greater flexibility and scalability.
- **Indiana DOT Partnership Expansion (\$13 Million):** Two new four-year Quantity Purchase Award agreements with INDOT, combined value of \$13 million through April 2030, covering WIM and VWIM deployments and including access to Quarterhill's ITHEIA AI-powered video classification platform.
- **Caltrans Commercial Vehicle Technology Expansion (\$2.4 Million):** Three new project awards totaling \$2.4 million from the California Department of Transportation, covering WIM data collection on I-10, WIM expansion on Route 805, and e-screening at the Desert Hills Commercial Vehicle Enforcement Facility.
- **New Jersey DOT Traffic Monitoring Partnership:** Multi-year contract to maintain and modernize approximately 95 WIM stations and 50 Traffic Volume System sites statewide.
- **Massachusetts DOT Weigh-In-Motion Expansion (\$6.4 Million):** Awarded a \$6.4 million contract through

Coviello Electric to install 15 new WIM stations and deploy a commercial vehicle compliance software platform across MassDOT Districts 1 through 5.

- **Illinois Tollway Contract Extension (\$10.7 Million):** Secured a \$10.7 million three-year extension with the Illinois Tollway to support and enhance mission-critical tolling operations and back-office systems, reinforcing Quarterhill's role as a long-term technology partner within one of the largest toll networks in the United States.

Q1 2026 Financial Review

Quarterhill's Management's Discussion and Analysis and Financial Statements for the quarter ended March 31, 2026, are available on the Company's website and at its profile at [SEDAR+](#).

Revenues for the quarter ended March 31, 2026, were \$38.6 million compared to \$33.9 million in the year-ago period. The increase in revenue was primarily due to growth in the commercial vehicle and enforcement business unit.

Gross profit¹ as a value and as a percentage of revenues (gross margin¹) may be subject to significant variance in each reporting period due to the nature and type of contract and service work performed, and currency volatility. Gross profit for the quarter ended March 31, 2026, was \$10.7 million or 28% as a percentage of revenue, as compared to \$3.9 million, or 12%, in the prior year comparative period. The increase in gross profit percentages year-over-year was primarily due to the restructuring, improved margins on certain tolling contracts, and continued strong margin performance in the Company's commercial vehicle and enforcement operations.

Total operating expenses are comprised of selling, general, and administrative costs ("SG&A"), research and development ("R&D") costs, depreciation, amortization of intangible assets, and other charges. Total operating expenses for the quarter ended March 31, 2026, were \$14.4 million, or 37% as a percentage of revenue, compared to \$11.2 million or 33% as a percentage of revenue, in the prior year comparative period. The increase is primarily due to stock-based compensation, recruitment, technical consulting, facilities expenses, and other charges.

Adjusted EBITDA² for the quarter was \$2.0 million, compared to (\$3.4) million in the same period last year. The higher Adjusted EBITDA² in Q1 2026 was primarily driven by the expansion in gross profit margin resulting from the Company's restructuring and cost-cutting initiatives, as well as the increase in revenues associated with the Company's commercial vehicle and enforcement business.

Net income (loss) for the quarter ended March 31, 2026, was (\$5.2) million, or (\$0.04) per basic and diluted share, compared to net income (loss) of (\$8.4) million, or (\$0.07) per diluted share, in the same period last year.

Cash generated from (used in) operations for the quarter ended March 31, 2026, was (\$5.4) million, compared to cash generated from (used in) operations of (\$3.6) million in the same period last year.

Cash and cash equivalents were \$14.7 million at March 31, 2026, compared to \$24.8 million at December 31, 2025.

Conference Call and Webcast

Quarterhill will host a conference call to discuss its financial results today, May 14, 2026, at 8:30 AM Eastern Time.

Webcast Information

- Live and replay audio webcast will be available at: <https://app.webinar.net/937gzd61ROo>

Traditional Dial-in Information

- To access the call from the U.S. and Canada, dial 1.888.699.1199 (Toll Free)
- To access the call from other locations, dial 1.416.945.7677 (International)

Rapidconnect

To instantly join the call by phone, please use the following link to register and be automatically connected: <https://empportal.ink/41PuTN4>

Replay

A telephone replay of the call will be available through May 21, 2026, by dialing:

- 1.888.660.6345 (North America)
- 1.289.819.1450 (International)
- Passcode: 28817

Non-IFRS Financial Measures and Non-IFRS Ratios

Quarterhill uses both IFRS and certain non-IFRS financial measures to assess performance. Non-IFRS financial measures are financial measures disclosed by a company that (a) depict historical or expected future financial performance, financial position or cash flow of a company, (b) with respect to their composition, exclude amounts that are included in, or include amounts that are excluded from, the composition of the most directly comparable financial measure disclosed in the primary financial statements of the company, (c) are not disclosed in the financial statements of the company, and (d) are not a ratio, fraction, percentage or similar representation. Non-IFRS ratios are financial measures disclosed by a company that are in the form of a ratio, fraction, percentage or similar representation that has a non-IFRS financial measure as one or more of its components, and that are not disclosed in the financial statements of the company.

These non-IFRS financial measures and non-IFRS ratios are not standardized financial measures under IFRS, and, therefore, are unlikely to be comparable to similar financial measures presented by other companies. Management believes these non-IFRS financial measures and non-IFRS ratios provide transparent and useful supplemental information to help investors evaluate our financial performance, financial condition, and liquidity using the same measures as management. These non-IFRS financial measures and non-IFRS ratios should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with IFRS.

Adjusted EBITDA - Non-IFRS Financial Measures

We use the non-IFRS financial measure "Adjusted EBITDA" to mean net loss adjusted for (i) income taxes, (ii) finance expense or income; (iii) amortization and impairment of intangibles; (iv) other charges and other one-time items; (v) depreciation of right-of-use assets and property, plant and equipment; (vi) stock-based compensation; (vii) foreign exchange (gain) loss; (viii) other (income) expense; and (ix) changes in fair value of derivative liability. Adjusted EBITDA is used by our management to assess our normalized cash generated on a consolidated basis. Adjusted EBITDA is also a performance measure that may be used by investors to analyze the cash generated by Quarterhill. Adjusted EBITDA should not be interpreted as an alternative to net income (loss) and cash flows from operations as determined in accordance with IFRS or as a measure of liquidity. The most directly comparable IFRS financial measure is net income (loss). See Reconciliation of Net Loss to Adjusted EBITDA below.

Adjusted EBITDA per share – Non-IFRS Ratio

Adjusted EBITDA per share is calculated as Adjusted EBITDA divided by the basic weighted average of common shares. Adjusted EBITDA per share is used by our management and investors to analyze cash generated by Quarterhill on a per share basis. The most comparable IFRS measure is earnings per share. See Reconciliation of Net Loss to Adjusted EBITDA below.

Backlog - Non-IFRS Financial Measure

We use the non-IFRS measure "backlog" to mean the total value of work that has not yet been completed but that in management's experience of similar situations has: (a) a high certainty of being performed pursuant to existing contracts or work orders specifying job scope, value and timing; (b) an expectation of expansion of existing contracts due to expected extensions; and/or (c) been awarded to one or more of our ITS operating subsidiaries as evidenced by a binding contract or where the finalization of a binding contract is reasonably assured. Activities under such contracts may cover a period of up to 15 years. We do not include in "backlog" the value of any expected but unsigned change orders that management considers may apply to such contracts. Backlog is used by management to evaluate the Company's future revenue potential and operational visibility. Backlog provides useful information to investors as it reflects the value of contracted work expected to be recognized as revenue in future periods.

Supplementary Financial Measures

Supplementary financial measures are financial measures disclosed by a company that (a) are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of a company, (b) are not disclosed in the financial statements of the company, (c) are not non-IFRS financial measures, and (d) are not non-IFRS ratios. Key supplementary measures disclosed are as follows:

Gross margin %

Calculated as gross profit as a percentage of revenue.

About Quarterhill

Quarterhill is a global leader in the Intelligent Transportation System (ITS) industry, advancing mobility through smart infrastructure solutions that reduce congestion, improve roadway safety, and create more sustainable travel. Each year, Quarterhill's platforms process billions of transactions, perform compliance and safety inspections on millions of commercial vehicles, and enable transportation agencies worldwide to optimize thousands of lanes of traffic to improve travel for everyone. Leveraging advanced artificial intelligence and machine learning technologies, Quarterhill's platform delivers automation and predictive insight to help agencies manage transportation networks more efficiently. By working in close partnership with governments, communities, and industry leaders, Quarterhill is building today's connected roadways while shaping the next generation of intelligent, resilient mobility. 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"). Forward-looking statements relate to future events, conditions or financial performance based on future economic conditions and courses of action. All statements other than statements of historical fact may be forward-looking statements, often identified by 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 to differ materially from those anticipated, and 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 2026 financial year, including organic growth and M&A opportunities; anticipated expansion of gross margin; customer demand for our products and results from organic sales initiatives; the Company's business plan and strategy; expectations relating to the Company's contracts and award agreements; and the results of operational enhancements and technology investment by the Company.

Although the forward-looking statements contained in this news release are based upon assumptions which management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. With respect to forward looking statements contained in this news release, the Company has made assumptions regarding, but not limited to: the Company's ability to execute on its business plan; successful integration of acquisitions; general economic and industry trends; operating assumptions; 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, 2025 available under the Company's profile on SEDAR+ at <http://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 in this news release. All

forward-looking statements are expressly qualified by this cautionary statement. Quarterhill has no intention, and undertakes no obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

This news release contains "future-oriented financial information" and "financial outlooks" within the meaning of applicable Canadian securities laws (collectively, "FOFI"), including about the financial results, revenue, gross margin and Adjusted EBITDA of Quarterhill for the year ended December 31, 2026. FOFI, as with forward-looking statements generally, are, without limitation, based on the assumptions and qualifications, and are subject to the risks set out above in respect of forward-looking statements. Quarterhill's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's financial results may differ materially from the FOFI provided in this news release. The Company and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments and the FOFI contained in this news release was approved by management as of the date hereof, for purposes of providing further information about the Company's future business operations and results. However, because this information is subjective and subject to numerous risks and assumptions, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, the Company undertakes no obligation to update such FOFI. Readers are cautioned that the FOFI contained in this news release should not be used for purposes other than for which it is disclosed herein, and such information is presented for illustrative purposes only and may not be an indication of the Company's actual financial position or results of operations.

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

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss (Unaudited) (in thousands and in United States dollars, except share and per share amounts)

	<u>Three months ended March 31,</u>	
	<u>2026</u>	<u>2025</u>
Revenues	\$38,614	\$33,889
Direct cost of revenues	27,903	29,958
Gross profit	10,711	3,931
Operating expenses		
Selling, general and administrative expenses	11,131	8,031
Research and development expenses	307	281
Depreciation of right-of-use assets	400	335
Depreciation of property, plant and equipment	353	369
Amortization of intangible assets	2,178	1,974
Other charges	35	241
	14,404	11,231
Results from operations	(3,693)	(7,300)
Finance income	(40)	(55)
Finance expense	1,460	1,493
Foreign exchange (gain) loss	(271)	272
Other income	(125)	(317)
Change in fair value of derivative liability	-	(430)
Loss before taxes	(4,717)	(8,263)
Current income tax expense	723	109
Deferred income tax recovery	(191)	(2)
Income tax expense	532	107
Net loss	(5,249)	(8,370)
Other comprehensive income (loss) that may be reclassified subsequently to net loss:		
Foreign currency translation adjustment	(843)	561
Comprehensive loss	(\$6,092)	(\$7,809)
Loss per share - Basic	(\$0.04)	(\$0.07)

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

As at March 31, 2026 December 31, 2025

Assets

Current assets		
Cash and cash equivalents	\$14,716	\$24,846
Accounts receivable, net	29,801	18,126
Unbilled revenue	31,948	38,980
Inventories (net of obsolescence)	8,132	8,922
Prepaid expenses and deposits	6,408	5,550
	91,005	96,424
Non-current assets		
Accounts and other long-term receivables	5,406	5,274
Right-of-use assets, net	4,102	4,516
Property, plant and equipment, net	3,254	3,157
Intangible assets, net	75,719	76,548
Investment in other entity	3,919	3,919
Deferred compensation asset	502	1,175
	92,902	94,589
TOTAL ASSETS	\$183,907	\$191,013
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$31,686	\$34,156
Income taxes payable	1,101	254
Current portion of lease liabilities	1,931	2,094
Current portion of deferred revenue	9,071	9,435
Current portion of long-term debt	12,840	13,883
Convertible debentures	40,172	40,395
	96,801	100,217
Non-current liabilities		
Deferred revenue	1,481	867
Long-term lease liabilities	2,945	3,389
Deferred compensation liabilities	459	464
Deferred income tax liabilities	1,912	2,124
Other long-term liabilities	512	512
	7,309	7,356
TOTAL LIABILITIES	104,110	107,573
Shareholders' equity		
Capital stock	317,744	317,395
Contributed surplus	131,633	129,533
Accumulated other comprehensive income	13,180	14,023
Deficit	(382,760)	(377,511)
	79,797	83,440
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$183,907	\$191,013

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands and in United States dollars, except share and per share amounts)

	Three months ended March 31,	
	2026	2025
Operating activities:		
Net loss	(\$5,249)	(\$8,370)
Add (deduct) non-cash items:		
Stock-based compensation expense	2,479	944
Depreciation and amortization	2,931	2,678
Foreign exchange (gain) loss	(271)	272
Other income	(93)	(110)
Deferred and non-cash income tax recovery	(191)	(2)
Embedded derivatives	3	3
Change in fair value of derivative liability	-	(430)
Non-cash interest expense	522	539
Net change in non-cash working capital balances	(5,551)	853
Cash used in operating activities	(5,420)	(3,623)
Financing activities:		
Payment of lease liabilities	(671)	(643)
Repayment of long-term debt	(1,338)	(531)
Cash used in financing activities	(2,009)	(1,174)
Investing activities:		
Net proceeds from disposition of a joint venture	-	319
Purchase of property, plant and equipment	(456)	(59)
Capitalized software costs	(1,391)	(916)
Cash used in investing activities	(1,847)	(656)

Foreign exchange on cash held in foreign currencies	(854)	(317)
Net decrease in cash and cash equivalents	(10,130)	(5,770)
Cash and cash equivalents, beginning of period	24,846	31,893
Cash and cash equivalents, end of period	\$14,716	\$26,123

Interim Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(in thousands and in United States dollars)

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Equity
Balance, January 1, 2025	\$314,630	\$127,446	\$12,148	(\$323,101)	\$131,123
Net loss	-	-	-	(8,370)	(8,370)
Other comprehensive income	-	-	561	-	561
Stock-based compensation expense	-	944	-	-	944
Common shares issued from restricted stock units	456	(658)	-	-	(202)
Balance, March 31, 2025	\$315,086	\$127,732	\$12,709	(\$331,471)	\$124,056
Balance, January 1, 2026	\$317,395	\$129,533	\$14,023	(\$377,511)	\$83,440
Net loss	-	-	-	(5,249)	(5,249)
Other comprehensive income	-	-	(843)	-	(843)
Stock-based compensation expense	-	2,624	-	-	2,624
Common shares issued from restricted stock units	349	(524)	-	-	(175)
Balance, March 31, 2026	\$317,744	\$131,633	\$13,180	(\$382,760)	\$79,797

Reconciliation of Net Loss to Adjusted EBITDA
(in thousands and in United States dollars, except share and per share amounts)

	Three months ended March 31,			
	2026		2025	
	\$	Per Share ^[3]	\$	Per Share
Net loss	(\$5,249)	(\$0.04)	(\$8,370)	(\$0.07)
Adjusted for:				
Income tax expense (recovery)	532	0.00	107	0.00
Foreign exchange (gain) loss	(271)	(0.00)	272	0.00
Finance expense, net	1,420	0.01	1,438	0.01
Other charges	35	-	241	0.00
Depreciation and amortization	2,931	0.03	2,678	0.02
Stock based compensation expense	2,479	0.02	944	0.01
Non-recurring project costs ^[1]	287	0.00	-	-
Change in fair value of derivative liability	-	-	(430)	(0.00)
Other income	(125)	(0.00)	(317)	(0.00)
Adjusted EBITDA ^[2]	\$2,039	\$0.02	(\$3,437)	(\$0.03)

Weighted average number of Common Shares

Basic	119,115,578	115,884,922
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^[1] Non-recurring project costs relates to legal expenses for a specific project that will not continue in the future.

^[2] Refer to Adjusted EBITDA - Non-IFRS Financial Measure

^[3] Refer to Adjusted EBITDA per share – Non-IFRS ratio

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