

October 30, 2018



Qumu Announces Third Quarter 2018 Results, Reports Positive Quarterly Net Income and Reiterates Annual Revenue Guidance

Conference Call Wednesday, October 31, 2018 at 10:00 a.m. ET

MINNEAPOLIS--(BUSINESS WIRE)-- Qumu Corporation (NASDAQ: QUMU) today reported financial results for the third quarter ending September 30, 2018 and reiterated with confidence its 2018 full year revenue guidance. The Company reported net income of \$2.4 million for the quarter, which included a \$6.5 million gain on the previously announced sale of its investment in BriefCam, Ltd. and reflected improved operating efficiencies resulting from ongoing cost reduction initiatives. The Company also strengthened its balance sheet by paying down its long-term debt by 60%, or \$6.0 million, while increasing its cash during the quarter by \$3.3 million.

"I'm happy to report positive net income which, along with a strengthened balance sheet and steady improvement in our operating expenses, gives us a solid financial footing for growth," said Vern Hanzlik, Qumu's President and CEO. "We remain bullish on the business, due to steadily increasing customer opportunities, increased customer retention of over 90%, plus our expanded footprint in 22 customers. This growing commitment from customers, combined with top leadership rankings by industry analysts tells me Qumu's strategy is exactly on target with the industry's direction toward global video solutions based on a distributed computing model."

Third quarter 2018 revenue was \$5.7 million, compared to \$7.6 million in the third quarter 2017, and net income for the third quarter 2018 was \$2.4 million, or \$0.25 per diluted share, compared to a net loss of \$(2.3) million, or \$(0.25) per diluted share, in the third quarter 2017. Third quarter adjusted EBITDA, a non-GAAP measure, was \$(801,000) for the third quarter 2018, compared to \$(857,000) for the third quarter 2017.

For the nine months ended September 30, 2018, revenue was \$18.1 million, compared to \$20.9 million last year, and net loss was \$(3.7) million, or a loss of \$(0.39) per diluted share, compared to \$(8.5) million, or a loss of \$(0.91) per diluted share, last year. For the nine months ended September 30, 2018, adjusted EBITDA was \$(3.6) million, compared to adjusted EBITDA of \$(3.8) million last year. The year-over-year revenue comparisons were negatively impacted by approximately \$153,000 and \$577,000 for the three and nine months ended September 30, 2018, respectively, due to the adoption of the new revenue recognition standard (ASC Topic 606).

Other Financial Highlights

- Cash and cash equivalents totaled \$8.5 million as of September 30, 2018, compared to \$7.7 million as of December 31, 2017. During the third quarter, the Company used a portion of the \$9.6 million in net proceeds from the sale of BriefCam to pay down its long-term debt by \$6.0 million and accrued interest by \$463,000, while still ending the third quarter with \$8.5 million in cash, compared to \$5.2 million in cash at June 30, 2018.
- Operating expenses decreased \$1.3 million and \$2.6 million during the three and nine months ended September 30, 2018, respectively, compared to the 2017 periods, reflecting the impact of the Company's ongoing cost reduction initiatives.
- Software license and appliance revenue was \$1.0 million and \$1.8 million for the three months ended September 30, 2018 and 2017, respectively, and \$4.3 million and \$4.0 million for the nine months ended September 30, 2018 and 2017, respectively, with the year-to-date increase attributable to both new license sales and expansion of existing customers.
- Subscription, maintenance and support revenue was \$4.1 million and \$5.1 million for the three months ended September 30, 2018 and 2017, respectively, and \$12.3 million and \$15.1 million for the nine months ended September 30, 2018 and 2017, respectively. The year-over-year revenue comparisons were negatively impacted by approximately \$297,000 and \$740,000 for the three and nine months ended September 30, 2018, respectively, due to the adoption of the new revenue recognition standard (ASC Topic 606). Additionally, the loss of a large customer which was previously announced as lost in the fourth quarter 2017, negatively impacted the year-over-year revenue comparisons by \$858,000 and \$2.4 million in the three and nine months ended September 30, 2018, respectively.
- Gross margin for the third quarter 2018 was 62.6%, compared to 61.6% for the third quarter 2017. Gross margin for the nine months ended September 30, 2018 was 63.4%, compared to 62.8% for the nine months ended September 30, 2017.

Given the performance to date and sales pipeline, the Company remains confident in the achievement of its previously issued revenue guidance for the full year 2018. Annual bookings growth is expected to be 20% to 25% in 2018, emphasizing growth in sales of the Qx platform. Revenue for 2018 is expected to be approximately \$25 million, which includes an approximately \$1.1 million unfavorable revenue impact due to the adoption of the new revenue recognition standard (ASC Topic 606) in 2018, as well as the loss of a large customer in the fourth quarter 2017, representing revenue of approximately \$3.2 million annually. Gross margin percentage is expected to be in the mid to high 60s. Adjusted EBITDA for 2018 is expected to be approximately \$(3.5) million, which is unchanged from previously issued guidance. The Company expects to achieve positive adjusted EBITDA, a non-GAAP measure, in the fourth quarter 2018. Adjusted EBITDA for 2018 excludes other income (expense) of \$5.3 million reflecting the sale of BriefCam, Ltd. and paydown of term debt in the third quarter 2018, the change in fair value of warrant liabilities and net losses on foreign currency transactions, stock-based compensation expense of approximately \$1.1 million, amortization of acquired intangible assets of approximately \$2.1 million, depreciation expense of approximately \$0.5 million, income tax expense of approximately \$0.3 million, and interest expense of approximately \$1.8 million. Net loss for 2018 is expected to be approximately \$4.0 million, which includes the results for the nine months ended September 30, 2018.

Conference Call

The Company has scheduled a conference call and webcast to review its third quarter 2018 results tomorrow, October 31, 2018 at 10:00 a.m. Eastern Time. The dial-in number for the conference call is 877-456-6914 for domestic participants and 929-387-3794 for international participants. Investors can also access a webcast of the live conference call by linking through the investor relations section of the Qumu website, www.qumu.com. Webcasts will be archived on Qumu's website.

Non-GAAP Information

To supplement the Company's condensed consolidated financial statements presented on a GAAP basis, the Company uses adjusted EBITDA, a non-GAAP measure, which excludes certain items from net income (loss), a GAAP measure. Adjusted EBITDA excludes items related to interest income and expense, the impact of income-based taxes, depreciation and amortization, stock-based compensation, change in fair value of warrant liabilities, foreign currency gains and losses, the gain on the sale of BriefCam, the loss on extinguishment of debt and other non-operating income and expenses.

The Company uses both GAAP and non-GAAP measures when planning, monitoring, and evaluating the Company's performance. The Company believes that adjusted EBITDA is useful to investors because it provides supplemental information that allows investors to review the Company's results of operations from the same perspective as management and the Company's board of directors. Non-GAAP results are presented for supplemental informational purposes only for understanding our operating results. The non-GAAP results should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles, and may be different from non-GAAP measures used by other companies.

See the attached Supplemental Financial Information for a reconciliation of net income (loss), a GAAP measure, to adjusted EBITDA, a non-GAAP measure, for the three and nine months ended September 30, 2018 and 2017.

Forward-Looking Statements

This press release contains forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements contained in this press release that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," or "estimate" or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements include, for example, statements about: the Company's future revenue and operating performance, cash balances, future product mix or the timing of recognition of revenue, the demand for the Company's products or software, and the expected tax effects of the Company's disposition of its investment in BriefCam. The statements made by the Company are based upon management's current expectations and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and other factors set forth in the Company's filings with the Securities and Exchange Commission.

About Qumu

Qumu is the leading provider of best-in-class tools to create, manage, secure, distribute and

measure the success of live and on-demand video for the enterprise. Backed by the most trusted and experienced team in the industry, the Qumu platform enables global organizations to drive employee engagement, increase access to video, and modernize the workplace by providing a more efficient and effective way to share knowledge.

QUMU CORPORATION

Condensed Consolidated Statements of Operations

(unaudited - in thousands, except per share data)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Software licenses and appliances | \$ 985 | \$ 1,822 | \$ 4,303 | \$ 3,971 |
| Service | 4,668 | 5,751 | 13,807 | 16,967 |
| Total revenues | <u>5,653</u> | <u>7,573</u> | <u>18,110</u> | <u>20,938</u> |
| Cost of revenues: | | | | |
| Software licenses and appliances | 504 | 916 | 1,643 | 1,778 |
| Service | 1,611 | 1,995 | 4,990 | 6,003 |
| Total cost of revenues | <u>2,115</u> | <u>2,911</u> | <u>6,633</u> | <u>7,781</u> |
| Gross profit | <u>3,538</u> | <u>4,662</u> | <u>11,477</u> | <u>13,157</u> |
| Operating expenses: | | | | |
| Research and development | 1,617 | 1,769 | 5,159 | 5,676 |
| Sales and marketing | 1,796 | 2,509 | 6,388 | 7,484 |
| General and administrative | 1,608 | 2,083 | 5,536 | 6,552 |
| Amortization of purchased intangibles | 224 | 226 | 680 | 675 |
| Total operating expenses | <u>5,245</u> | <u>6,587</u> | <u>17,763</u> | <u>20,387</u> |
| Operating loss | <u>(1,707)</u> | <u>(1,925)</u> | <u>(6,286)</u> | <u>(7,230)</u> |
| Other income (expense): | | | | |
| Gain on sale of BriefCam, Ltd. | 6,502 | — | 6,502 | — |
| Loss on extinguishment of debt | (1,189) | — | (1,189) | — |
| Interest expense, net | (262) | (343) | (1,616) | (994) |
| Decrease (increase) in value of warrant liability | (401) | 15 | (292) | (52) |
| Other, net | (78) | (166) | (481) | (345) |
| Total other income (expense), net | <u>4,572</u> | <u>(494)</u> | <u>2,924</u> | <u>(1,391)</u> |
| Income (loss) before income taxes | <u>2,865</u> | <u>(2,419)</u> | <u>(3,362)</u> | <u>(8,621)</u> |
| Income tax expense (benefit) | 469 | (110) | 303 | (139) |
| Net income (loss) | <u>\$ 2,396</u> | <u>\$ (2,309)</u> | <u>\$ (3,665)</u> | <u>\$ (8,482)</u> |
| Net income (loss) per share – basic: | | | | |
| Net income (loss) per share – basic | \$ 0.25 | \$ (0.25) | \$ (0.39) | \$ (0.91) |
| Weighted average shares outstanding – basic | 9,559 | 9,404 | 9,472 | 9,335 |
| Net income (loss) per share – diluted: | | | | |
| Net loss per share – diluted | \$ 0.25 | \$ (0.25) | \$ (0.39) | \$ (0.91) |
| Weighted average shares outstanding – diluted | 9,709 | 9,404 | 9,472 | 9,335 |

QUMU CORPORATION
Condensed Consolidated Balance Sheets
(unaudited - in thousands)

| | September 30, 2018 | December 31, 2017 |
|--|-------------------------------|------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 8,499 | \$ 7,690 |
| Receivables, net | 4,150 | 5,529 |
| Contract assets | 156 | — |
| Income taxes receivable | 319 | 156 |
| Prepaid expenses and other current assets | 1,932 | 1,830 |
| Total current assets | <u>15,056</u> | <u>15,205</u> |
| Property and equipment, net | 512 | 911 |
| Intangible assets, net | 4,661 | 6,295 |
| Goodwill | 7,132 | 7,390 |
| Deferred income taxes, non-current | 60 | 77 |
| Other assets, non-current | 925 | 4,398 |
| Total assets | <u>\$ 28,346</u> | <u>\$ 34,276</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and other accrued liabilities | \$ 1,841 | \$ 3,878 |
| Accrued compensation | 959 | 1,824 |
| Deferred revenue | 9,114 | 8,923 |
| Deferred rent | 47 | 181 |
| Financing obligations | 144 | 1,047 |
| Warrant liability | 3,458 | 819 |
| Total current liabilities | <u>15,563</u> | <u>16,672</u> |
| Long-term liabilities: | | |
| Deferred revenue, non-current | 1,483 | 141 |
| Income taxes payable, non-current | 531 | 3 |
| Deferred tax liability, non-current | 40 | 153 |
| Deferred rent, non-current | 322 | 507 |
| Term loan and other financing obligations, non-current | 3,304 | 7,608 |
| Other liabilities, non-current | 146 | — |
| Total long-term liabilities | <u>5,826</u> | <u>8,412</u> |
| Total liabilities | <u>21,389</u> | <u>25,084</u> |
| Stockholders' equity: | | |
| Common stock | 95 | 94 |
| Additional paid-in capital | 68,763 | 68,035 |
| Accumulated deficit | (58,923) | (56,197) |
| Accumulated other comprehensive loss | (2,978) | (2,740) |
| Total stockholders' equity | <u>6,957</u> | <u>9,192</u> |
| Total liabilities and stockholders' equity | <u>\$ 28,346</u> | <u>\$ 34,276</u> |

QUMU CORPORATION
Condensed Consolidated Statements of Cash Flows
(unaudited - in thousands)

| | Nine Months Ended | |
|---|--------------------------|-----------------|
| | September 30, | |
| | 2018 | 2017 |
| Operating activities: | | |
| Net loss | \$ (3,665) | \$ (8,482) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 1,924 | 2,309 |
| Stock-based compensation | 767 | 1,090 |
| Accretion of debt discount and issuance costs | 1,194 | 364 |
| Gain on sale of BriefCam, Ltd. | (6,502) | — |
| Loss on debt extinguishment | 1,189 | — |
| Loss on lease contract termination | 177 | — |
| Change in value of warrant liability | 292 | 52 |
| Deferred income taxes | (99) | (112) |
| Changes in operating assets and liabilities: | | |
| Receivables | 1,363 | 1,204 |
| Contract assets | 394 | — |
| Income taxes receivable / payable | 357 | 142 |
| Prepaid expenses and other assets | 291 | 1,070 |
| Accounts payable and other accrued liabilities | (2,082) | 563 |
| Accrued compensation | (857) | (405) |
| Deferred revenue | 2,283 | 151 |
| Deferred rent | (121) | (132) |
| Other non-current liabilities | 98 | — |
| Net cash used in operating activities | <u>(2,997)</u> | <u>(2,186)</u> |
| Investing activities: | | |
| Proceeds from sale of BriefCam, Ltd. | 9,678 | — |
| Purchases of property and equipment | (116) | (22) |
| Net cash provided by (used in) investing activities | <u>9,562</u> | <u>(22)</u> |
| Financing activities: | | |
| Proceeds from term loan and warrant issuance | 10,000 | — |
| Principal payments on term loans | (14,000) | — |
| Payments for term loan issuance costs | (1,308) | (125) |
| Principal payments on financing obligations | (329) | (383) |
| Common stock repurchases to settle employee withholding liability | (28) | (11) |
| Net cash used in financing activities | <u>(5,665)</u> | <u>(519)</u> |
| Effect of exchange rate changes on cash | (91) | 101 |
| Net increase (decrease) in cash and cash equivalents | 809 | (2,626) |
| Cash and cash equivalents, beginning of period | 7,690 | 10,364 |
| Cash and cash equivalents, end of period | <u>\$ 8,499</u> | <u>\$ 7,738</u> |

QUMU CORPORATION
Supplemental Financial Information
(unaudited - in thousands)

A summary of revenue is as follows:

| | Three Months Ended | | Nine Months Ended | |
|---------------------------------------|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Software licenses and appliances | \$ 985 | \$ 1,822 | \$ 4,303 | \$ 3,971 |
| Service | | | | |
| Subscription, maintenance and support | 4,091 | 5,113 | 12,251 | 15,061 |
| Professional services and other | 577 | 638 | 1,556 | 1,906 |
| Total service | 4,668 | 5,751 | 13,807 | 16,967 |
| Total revenue | \$ 5,653 | \$ 7,573 | \$ 18,110 | \$ 20,938 |

A reconciliation from GAAP results to adjusted EBITDA is as follows:

| | Three Months Ended | | Nine Months Ended | |
|--|---------------------------|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| Net income (loss) | \$ 2,396 | \$ (2,309) | \$ (3,665) | \$ (8,482) |
| Interest expense, net | 262 | 343 | 1,616 | 994 |
| Income tax expense (benefit) | 469 | (110) | 303 | (139) |
| Depreciation and amortization expense: | | | | |
| Depreciation and amortization in cost of revenues | 2 | 6 | 7 | 25 |
| Depreciation and amortization in operating expenses | 63 | 227 | 358 | 716 |
| Total depreciation and amortization expense | 65 | 233 | 365 | 741 |
| Amortization of intangibles included in cost of revenues | 288 | 302 | 879 | 893 |
| Amortization of intangibles included in operating expenses | 224 | 226 | 680 | 675 |
| Total amortization of intangibles expense | 512 | 528 | 1,559 | 1,568 |
| Total depreciation and amortization expense | 577 | 761 | 1,924 | 2,309 |
| EBITDA | 3,704 | (1,315) | 178 | (5,318) |
| Gain on sale of BriefCam, Ltd. | (6,502) | — | (6,502) | — |
| Loss on extinguishment of debt | 1,189 | — | 1,189 | — |
| Increase (decrease) in fair value of warrant liability | 401 | (15) | 292 | 52 |
| Other expense, net | 78 | 166 | 481 | 345 |
| Stock-based compensation expense: | | | | |
| Stock-based compensation included in cost of revenues | 8 | (3) | 26 | 29 |
| Stock-based compensation included in operating expenses | 321 | 310 | 741 | 1,061 |
| Total stock-based compensation expense | 329 | 307 | 767 | 1,090 |
| Adjusted EBITDA | \$ (801) | \$ (857) | \$ (3,595) | \$ (3,831) |

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