

Creative Realities announces 3Q19 financial results

November 7, 2019

- Achieves quarterly revenue of \$6.7 million
- Announces doubling in managed services revenue
- Earnings call scheduled for Friday, November 8th at 9am Eastern

LOUISVILLE, Ky., Nov. 7, 2019 /PRNewswire/ -- Creative Realities, Inc. ("Creative Realities," "CRI," or the "Company") (NASDAQ: CREX, CREXW), a leading provider of digital marketing solutions, announced its financial results for the three- and nine-months ended September 30, 2019.

Rick Mills, Chief Executive Officer, remarked, "First and foremost I would like to thank Alec Machiels, who has stepped down effective November 8, 2019 as the Company's Chairman of the Board, for his service to the Company over the past 5 years. Alec has provided excellent leadership for the Board and to me as Chief Executive Officer of CRI. That said, I am incredibly excited by the opportunity to announce Dennis McGill as Chairman of the Board effective November 8, 2019. Dennis has had a tremendous career assisting various public and private companies accelerate their growth and we look forward to him joining our team as we look to take further steps to grow this company."

Mr. Mills added, "CRI achieved quarterly revenue of \$6.7 million for the three-months ended September 30, 2019, resulting in year-to-date revenue \$25.5 million for the nine-months ended September 30, 2019. These results represent 48% growth year-over-year for the nine-months. The Company achieved Adjusted EBITDA of \$426 thousand in the quarter and \$1.8 million year-to-date, reflecting the operating leverage inherent in our model as we grow revenues."

2019 Third Quarter Financial Overview

- Revenues were \$6.7 million for the three-month period ended September 30, 2019, an increase of \$0.7 million, or 12%, compared to the same period in 2018.
- Hardware revenue increased approximately \$0.5 million, or 34%, in the third quarter of 2019 as compared to the same period in the prior year. Gross margin on hardware revenue was 27% in 3Q19 as compared to 45% in 3Q18.
- Services and other revenue grew approximately \$0.2 million, or 5%, in the third quarter of 2019 as compared to the same period in the prior year. Gross margin on services and other revenue decreased to 59% in 3Q19 from 68% in 3Q18.
- Managed services revenue, which includes both SaaS and help desk technical subscription services, represented approximately \$1.9 million revenue in the third quarter of 2019, an increase of \$1.0 million, or 126%, as compared to the same period in the prior year.
- Gross profit was \$3.3 million for the third quarter of 2019, a decrease of \$0.4 million, or 12%, compared to the same period in 2018. Gross margin decreased to 49% in 3Q19 from 62% in 3Q18, driven primarily by the aforementioned mix of hardware and services and other revenue.
- The company achieved operating income of \$0.1 million during 3Q19 as compared to operating loss of \$0.5 million in 3Q18.
- General and administrative expenses decreased \$1.1 million to \$2.1 million in 3Q19 as compared to 3Q18 made up of \$1.0 million in incremental stock compensation expense in third quarter 2018.
- Net income was \$0.2 million the three-month period ended September 30, 2019 as compared to a net loss of (\$0.9) million for the same period in 2018. EBITDA was \$0.8 million for the third quarter of 2019 compared to breakeven the same period in 2018. Adjusting for one-time gains on the settlement of obligations and stock based compensation in each period, Adjusted EBITDA was \$0.4 million for the third quarter of 2019, compared to \$0.9 million in Adjusted EBITDA for the same period in 2018.

Mr. Mills concluded, "Our current year results continue to validate our thesis about the digital signage industry and the ability of CRI to produce revenue growth without corresponding increases in our expense structure, ultimately translating into improved quality of earnings. We are particularly proud of our quarterly and year-to-date operating expenses, which have effectively remained flat despite the completion of the acquisition of Allure Global Solutions, Inc. in November 2018. Since execution of that acquisition, the Company continues to experience an increase in both the volume and size of opportunities through both referrals and requests for proposal from potential customers. We continue to believe that our end-to-end services offering positions us well within the industry to compete for new and growing opportunities with partners, particularly potential enterprise customers in a variety of key verticals. We remain committed to further execution of our strategy to gain more scale and act as a key participant in what we believe should be an industry rollup aimed at driving shareholder value."

Conference Call Details

The Company will host a conference call to review the results and provide additional commentary about the Company's recent performance, which is scheduled for Friday, November 8, 2019 at 9:00 am Eastern Time.

Prior to the call, participants should register at <http://bit.ly/criearnings2019Q3>. Once registered, participants can use the weblink provided in the registration email to listen to the live webcast. An archived edition of the second quarter earnings conference call will also be posted on our website at www.cri.com later that same day and will remain available to interested parties via the same link for one year.

About Creative Realities, Inc.

Creative Realities helps clients use the latest omnichannel technologies to inspire better customer experiences. Founded over 15 years ago, CRI designs, develops and deploys consumer experiences for high-end enterprise level networks, and is actively providing recurring SaaS and support services for more than fifteen diverse vertical markets, including but not limited to Automotive, Advertising Networks, Apparel & Accessories, Convenience Stores, Foodservice/QSR, Gaming, Theater, and Stadium Venues. The Company acquired Allure Global Solutions, Inc. in November 2018, expanding the Company's operations to five offices across North America with active installations in more than 10 countries.

Cautionary Note on Forward-Looking Statements

This press release contains certain statements that would be deemed "forward-looking statements" under Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and includes, among other things, discussions of our business strategies, future operations and capital resources. Words such as "may," "likely," "anticipate," "expect" and "believe" indicate forward-looking statements.

These forward-looking statements may reflect management's present expectations and estimates regarding future expenses, revenue and profitability, trends affecting our financial condition and results of operations, operating efficiencies, revenue opportunities, potential new markets, and the ability of the Company to effectively compete in a highly competitive market. Nevertheless, and despite the fact that management's expectations and estimates are based on assumptions management believes to be reasonable and data management believes to be reliable, the Company's actual results, performance, or achievements are subject to future risks and uncertainties, any of which could materially affect the Company's actual performance. Risks and uncertainties that could affect such performance include, but are not limited to: the adequacy of funds for future operations; future expenses, revenue and profitability; trends affecting financial condition and results of operations; ability to convert proposals into customer orders; the ability of customers to pay for products and services; the impact of changing customer requirements upon revenue recognition; customer cancellations; the availability and terms of additional capital; ability to develop new products; dependence on key suppliers, manufacturers and strategic partners; industry trends and the competitive environment; the impact of the Company's financial condition upon customer and prospective customer relationships; and the impact of losing one or more senior executives or failing to attract additional key personnel. These and other risk factors are discussed in Company reports filed with the Securities and Exchange Commission.

Given these uncertainties, and the fact that forward-looking statements represent management's estimates and assumption as of the date of this press release, you should not attribute undue certainty to these forward-looking statements. We assume no obligation to update any forward-looking statements publicly, or to update the reasons why actual results could differ materially from those anticipated in any forward-looking statements contained in this press release, even if new information becomes available in the future.

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