

Creative Realities announces 2Q19 financial results

August 8, 2019

- Achieves quarterly revenue of \$9.3 million
- Announces tripling in managed services revenue
- Earnings call scheduled for Friday, August 9th at 9am Eastern

LOUISVILLE, Ky., Aug. 8, 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 six-months ended June 30, 2019.

Rick Mills, Chief Executive Officer, remarked, "CRI achieved quarterly revenue in excess of \$9 million for the second straight quarter. During the second quarter we improved margins resulting in record quarterly Adjusted EBITDA of \$1.1 million on an operating profit of \$0.5 million. Our results for the first half of 2019 provide evidence of both the Company's strong market momentum and ability to produce further positive results through scale."

2019 Second Quarter Financial Overview

- Revenues were \$9.3 million for the three-month period ended June 30, 2019, an increase of \$2.1 million, or 30%, compared to the same period in 2018.
- Hardware revenue decreased approximately \$1.2 million, or 42%, in the second quarter of 2019 as compared to the same period in the prior year driven by a \$1.7 million hardware-only project in the second quarter of 2018 which did not recur in 2019, partially offset by an increase in hardware sales to other customers. Gross margin on hardware revenue was 20% in 2Q19 as compared to 35% in 2Q18.
- Services and other revenue grew approximately \$3.3 million, or 77%, in the second quarter of 2019 as compared to the same period in the prior year. Gross margin on services and other revenue increased to 51% in 2Q19 from 48% in 2Q18.
- Managed services revenue, which includes both SaaS and help desk technical subscription services, represented approximately \$1.6 million revenue in the second quarter of 2019, an increase of \$1.1 million, or 211%, as compared to the same period in the prior year.
- Gross profit was \$4.2 million for the second quarter of 2019, an increase of \$1.1 million, or 37%, compared to the same period in 2018. Gross margin increased to 45% in 2Q19 from 43% in 2Q18, driven primarily by the aforementioned mix of hardware and services and other revenue.
- The company achieved operating income of \$0.5 million during 1Q19 as compared to operating breakeven in 1Q18.
- General and administrative expenses increased \$0.5 million to \$2.4 million in 2Q19 as compared to 2Q18 made up of \$0.2 million in incremental stock compensation expense and \$0.2 million of incremental rent expense associated with the acquisition of Allure Global Solutions, Inc. in November 2018.
- EBITDA was \$0.8 million for the second quarter of 2019 compared to \$0.5 million for the same period in 2018. Adjusted EBITDA was \$1.1 million for the second quarter of 2019 compared to \$0.4 million for the same period in 2018.

Mr. Mills concluded, "We are pleased with the continued growth in the recurring portion of our revenue, a key focus for our business in 2019 and 2020. 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 in a variety of key verticals – a belief that is supported by an increase in the number of invitations we have received in 2019 to significant opportunities, measured as those opportunities in excess of \$1 million. While we are experiencing an increase in significant opportunities, those opportunities do tend to experience a longer lead time and sales cycle. 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 rollout 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, August 9, 2019 at 9:00 am Eastern Time.

Prior to the call, participants should register at <http://bit.ly/criearnings2019Q2>. 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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