

Creative Realities announces 1Q19 financial results

May 9, 2019

Announces record quarterly revenue for 1Q19

- Achieves record quarterly revenue of \$9.5 million
- Announces tripling in managed services revenue
- Reaffirms 1H19 revenue guidance of \$18 to \$20 million
- Earnings call scheduled for Friday, May 10th at 9am Eastern

LOUISVILLE, Ky., May 9, 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 quarter ended March 31, 2019.

Rick Mills, Chief Executive Officer, remarked, "CRI achieved record quarterly revenue of approximately \$9.5 million in the first quarter of 2019 and we are on track to our previously issued guidance for the first half. We produced a small operating profit during the quarter and positive EBITDA of \$368 thousand. As we finalize the integration of financial and operating activities of Allure, we expect to drive reductions in operating expenses and take further advantage of the economies of scale achieved thus far. We are proud of the continued progress."

2019 First Quarter Financial Overview

- Revenues were \$9.5 million for the three-month period ended March 31, 2019, an increase of \$5.4 million, or 133%, compared to the same period in 2018.
- Hardware revenue grew approximately \$0.4 million, or 33%, in the first quarter of 2019 as compared to the same period in the prior year. Gross margin on hardware revenue was 14%, compared to 11% in 1Q18.
- Services and other revenue grew approximately \$5.0 million, or 177%, in the first quarter of 2019 as compared to the same period in the prior year. Gross margin on services and other revenue was 44%, compared to 49% in 1Q18. Excluding one engineering services project in the period, gross margin on services and other revenue would have been approximately 49%.
- Managed services revenue, which includes both SaaS and help desk technical subscription services, represented approximately \$1.5 million revenue in the first quarter of 2019, an increase of \$1.0 million, or 200%, as compared to the same period in the prior year.
- Gross profit was \$3.7 million for the first quarter of 2019, an increase of \$2.2 million, or 144%, compared to the same period in 2018. Gross margin increased to 39% in 1Q19 versus 37% in 1Q18, driven primarily by the aforementioned mix of hardware and services and other revenue.
- The company achieved operating breakeven during 1Q19 as compared to an operating loss of \$1.8 million in 1Q18.
- General and administrative expenses increased \$0.6 million to \$2.3 million in 1Q19 versus 1Q18 as the result of incremental payroll, benefit and office expenses associated with the acquisition of Allure Global Solutions, Inc. in November 2018.
- EBITDA was \$0.4 million for the first quarter of 2019 compared to an EBITDA loss of \$1.2 million for the same period in 2018.

2019 Financial Guidance

The Company reaffirms its previous guidance of \$18 to 20 million in revenue for the first half of 2019.

Mr. Mills concluded, "We continue to see strong and improving market demand for our products and services as clients look to take advantage of the benefits of digital marketing in their evolving ecosystems, including deployments of digital technology and development of integrated applications to support those deployments. We are pleased to see that our recurring portion of our revenue is increasing substantially and look forward to continued progress on this front. We believe our end-to-end services offerings position us well within the industry to compete for new and growing opportunities with partners in a variety of key verticals including but not limited to retail, sports and entertainment venues, quick service restaurants and convenience stores. As we move through 2019, 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, May 10, 2019 at 9:00 am Eastern Time.

Prior to the call, participants should register at <http://bit.ly/crearnings2019Q1>. Once registered, participants can use the weblink provided in the registration email to listen to the live webcast.

Following the live webcast, a replay will be available approximately two hours after the webcast on our website at www.cri.com for at least 30 days.

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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For further information: Investor Relations Contact: Will Logan, Chief Financial Officer, Creative Realities, Inc., Tel: (502) 791-8797, will.logan@cri.com