

Creative Realities announces FY18 and 4Q18 financial results

March 28, 2019

Achieves revenue growth of 27% in 2018; Announces anticipated 1H 2019 results

- Annual revenue growth of approximately 27% versus 2017

- Announces guidance for first half of 2019 of between \$18 and \$20 million in revenue

- Earnings call scheduled for Friday, March 29th at 9am Eastern

LOUISVILLE, Ky., March 28, 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 year ended December 31, 2018, including the quarter ended as of the same date.

Rick Mills, Chief Executive Officer, remarked, "During 2018, our management team executed on several key initiatives supporting our strategic vision, including continuing our double-digit organic revenue growth, simplifying our capital structure, up-listing to Nasdaq, and gaining scale through the acquisition of Allure Global Solutions, Inc. Allure's expertise strengthened our market presence in fast growing verticals such as quick service restaurants, theater and sports venues. We anticipate opportunities to cross-sell Allure's analytical services into the CRI customer base. Our progress throughout 2018 is attributable to continued investments made into our sales organization and a commitment by our management team in executing of our strategic plan for profitable growth."

2018 Financial Overview

- Revenues were \$22.5 million for the year ended December 31, 2018, an increase of \$4.8 million or 27% compared to 2017. Organic revenues excluding the one month of Allure ownership increased \$4.2 million, or 24% compared to 2017.
- Gross profit was \$10.2 million in 2018, an increase of \$2.8 million, or 38%, compared to 2017.
- Gross margin improved to 45% in 2018, compared to 42% in 2017. The expansion in gross margin was driven primarily by a combination of improved purchasing power on hardware transactions and increased services revenue.
- Hardware revenues increased \$1.6 million, or 29%, and Service revenues increased \$3.2 million, or 26%, in 2018 compared to 2017. Our revenue mix for 2018 was consistent with 2017, with Service revenues representing approximately 69% of our total revenue for the year.
- Operating loss declined to \$4.5 million, or \$1.6 million, compared to 2017. Excluding the effects of one-time charges in both periods, including lease termination expense, severance expense and noncash charges for stock compensation and acquisition expenses, adjusted operating loss declined to \$2.3 million, or a reduction of \$1.8 million from 2017.

4Q18 Financial Overview

- Revenues were \$5.2 million for the three-month period ended December 31, 2018, an increase of \$1.1 million, or 26%, compared to the same period in 2017. Organic revenues excluding the one month of Allure ownership increased \$0.5 million, or 12%, for the same comparable period.
- Gross profit was \$1.9 million for the fourth quarter of 2018, an increase of \$0.4 million, or 26%, compared to the same period in 2017.
- Gross margin remained flat at 36% in 4Q18 versus 4Q17. Service revenues represented approximately 73% of total revenue in the fourth quarter of 2018 compared to 58% in 2017.
- Operating loss was \$2.1 million in 4Q18 as compared to \$1.6 million in 4Q17. Excluding the effects of one-time charges in both periods, including lease severance expense and noncash charges for acquisition expenses, operating loss declined to \$1.1 million, or a reduction of \$0.5 million from 4Q17.

2019 Financial Guidance

The Company is announcing financial guidance 2019 as follows:

- Anticipated 1H 2019 revenue of \$18 to \$20 million.
- Anticipated 1H 2019 revenue from new customers in excess of \$3 million.

Mr. Mills concluded, "We expect to continue our trend of strong organic growth in 2019 through a combination of new customer relationships and further broadening our existing relationships. We entered 2019 with approximately \$18 million in signed orders and believe the combined sales organization has strong forward momentum. We have made significant progress in integrating both the financial and operating activities of Allure and expect the combination to drive continued economies of scale resulting in improved operating performance in the second half of 2019. We remain focused on our dual strategy of accelerating organic growth and in identifying opportunities for inorganic growth as we expect to participate in consolidation within the digital signage and digital out of home sectors."

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, March 29, 2019 at 9:00 am Eastern Time.

Prior to the call, participants should register at <http://bit.ly/criearnings2018>. 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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