

Quadlogic Controls Corporation Announces Financial Results

March 5, 2020 Long Island City, New York

Financial Results

Quadlogic Controls Corporation (OTC Markets:QDLC), today announced its financial results for the nine months ended November 30, 2019.

Total revenues (meters plus services) for the nine months ended November 30, 2019 were \$9.7 million, down \$900,000 from November 30, 2018. The decline is due to discontinued meter sales efforts in Mexico and the Caribbean, and some reduction in Canadian meter sales. Service revenues were largely unchanged at approximately \$4.5 million.

Net income for the nine month period ended November 30, 2019 was \$63,000 versus \$198,000 for the same period the previous year. The reduced net income was principally due to lower meter sales substantially offset by ongoing cost reductions.

About Quadlogic

Quadlogic is in the business of electricity and energy submetering and monitoring for buildings. The Company designs, builds and sells digital meters, systems, equipment and software and performs monthly tenant billing services. It is the most widely specified brand in New York and Ontario, Canada.

Forward Looking Statements

This press release may contain forward-looking information concerning Quadlogic's plans, objectives, future expectations, forecasts and prospects. These statements may include those regarding Quadlogic's past financial performance including but not limited to lists of customers, revenue and profit, use of cash, investments, relationships and the actual or potential impact of stock incentive expense, and the results of its product development efforts. Future results will depend on many factors, including Quadlogic's ability to attract new customers, its relationship with existing clients, its ability to retain and attract quality employees including management, the ability to deliver innovative products in a timely manner, changing accounting treatments, and other applicable risks. Readers are cautioned not to place undue reliance on these forward- looking statements, which speak only as of the date hereof.

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QUADLOGIC CONTROLS CORPORATION
BALANCE SHEETS
(In thousands, except share data)

	Unaudited	Audited
	November 30	February 28
	<u>2019</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 39	\$ 97
Accounts receivable	1,771	2,775
Inventories	966	1,009
Prepaid expenses and other current assets	97	192
Total Current Assets	2,873	4,073
Property and Equipment, Net	773	815
Other Assets:		
Patent and trademarks costs, net	342	369
Lease deposits	192	192
Total Other Assets	534	561
Total Assets	\$ 4,180	\$ 5,449
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Current maturities of installment debt	\$ 324	\$ 377
Current maturities of capital lease obligations	25	23
Accounts payable	1,492	1,970
Customers deposits	-	78
Accrued compensation	322	485
Accrued expenses and other liabilities	625	685
Total Current Liabilities	2,788	3,618
Non-Current Liabilities:		
Capital lease obligations, net of current maturities	78	98
Secured line of credit - borrowings	759	1,102
Other non-current liabilities	381	561
Total Non-Current Liabilities	1,218	1,761
Total Liabilities	4,006	5,379
Shareholders' Equity:		
Common stock,- \$0.001 par value; 20,000,000 shares authorized, and 11,725,351 and 11,638,351 shares issued and outstanding as of November 30, 2019 and February 28,2019, respectively.	12	12
Additional paid-in capital	9,623	9,582
Accumulated deficit	(9,461)	(9,524)
Total shareholders' Equity	174	70
Total Liabilities and Shareholders' Equity	\$ 4,180	\$ 5,449

QUADLOGIC CONTROLS CORPORATION
UNAUDITED CONDENSED STATEMENTS OF INCOME

	Nine Months Ended November 30,	
	<u>2019</u>	<u>2018</u>
Revenues:		
Meter sales	\$ 5,264	\$ 6,164
Billing and technical services	4,483	4,480
Total Revenues	<u>9,747</u>	<u>10,644</u>
Cost of Goods Sold:		
Cost of meters sold	3,593	3,966
Cost of billing and technical services	2,463	2,334
Total Cost of Goods Sold	<u>6,056</u>	<u>6,300</u>
Gross Profit	<u>3,691</u>	<u>4,344</u>
Operating Expenses:		
Selling	911	1,114
Research and development	673	768
General and administrative	1,901	2,120
Total Operating Expenses	<u>3,485</u>	<u>4,002</u>
Operating Income	<u>206</u>	<u>342</u>
Other Expense:		
Interest expense	(121)	(122)
Other expense, net	(22)	(22)
Total Other Expense	<u>(143)</u>	<u>(144)</u>
Net Income	<u>\$ 63</u>	<u>\$ 198</u>

QUADLOGIC CONTROLS CORPORATION
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended November 30,	
	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Net income	\$ 63	\$ 198
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	150	171
Provision for doubtful accounts	16	18
Stock based compensation	41	27
Write-off patents	4	-
Changes in assets and liabilities:		
Accounts receivable	988	(493)
Inventories	43	94
Prepaid expenses and other current assets	94	51
Accounts payable	(478)	527
Customer deposits	(78)	(103)
Accrued expenses and other liabilities	(60)	(108)
Accrued compensation	(163)	(315)
Other non-current liabilities	(180)	(180)
Net Cash Provided by (Used In) Operating Activities	440	(113)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(84)	(11)
Patent acquisition costs	(1)	(6)
Net Cash Used in Investing Activities	(85)	(17)
Cash flows from financing activities:		
Principal debt repayments	(53)	-
Capital lease obligation	(17)	-
Borrowing from line of credit	9,590	10,354
Repayments of line of credit	(9,933)	(10,281)
Net Cash Provided by (Used in) Financing Activities	(413)	73
Net Decrease in Cash	(58)	(57)
Cash, beginning of year	97	128
Cash, end of period	\$ 39	\$ 71

Quadlogic Controls Corporation
Unaudited Statement of Changes in Shareholder's Equity
(In thousands, except share data)

	Common Stock Number of Shares	Par Value	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, February 28, 2019	11,638,351	\$ 12	\$ 9,582	\$ (9,524)	\$ 70
Issuance of common stock to directors	60,000		33		33
Vesting of restricted common stock to employee	27,000		8		8
Net income				63	63
Balance, November 30, 2019	11,725,351	\$ 12	\$ 9,623	\$ (9,461)	\$ 174