

QUMU CORPORATION
Condensed Consolidated Statements of Operations
(unaudited - in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Software licenses and appliances	\$ 985	\$ 1,822	\$ 4,303	\$ 3,971
Service	4,668	5,751	13,807	16,967
Total revenues	5,653	7,573	18,110	20,938
Cost of revenues:				
Software licenses and appliances	504	916	1,643	1,778
Service	1,611	1,995	4,990	6,003
Total cost of revenues	2,115	2,911	6,633	7,781
Gross profit	3,538	4,662	11,477	13,157
Operating expenses:				
Research and development	1,617	1,769	5,159	5,676
Sales and marketing	1,796	2,509	6,388	7,484
General and administrative	1,608	2,083	5,536	6,552
Amortization of purchased intangibles	224	226	680	675
Total operating expenses	5,245	6,587	17,763	20,387
Operating loss	(1,707)	(1,925)	(6,286)	(7,230)
Other income (expense):				
Gain on sale of BriefCam, Ltd.	6,502	—	6,502	—
Loss on extinguishment of debt	(1,189)	—	(1,189)	—
Interest expense, net	(262)	(343)	(1,616)	(994)
Decrease (increase) in value of warrant liability	(401)	15	(292)	(52)
Other, net	(78)	(166)	(481)	(345)
Total other income (expense), net	4,572	(494)	2,924	(1,391)
Income (loss) before income taxes	2,865	(2,419)	(3,362)	(8,621)
Income tax expense (benefit)	469	(110)	303	(139)
Net income (loss)	\$ 2,396	\$ (2,309)	\$ (3,665)	\$ (8,482)
Net income (loss) per share – basic:				
Net income (loss) per share – basic	\$ 0.25	\$ (0.25)	\$ (0.39)	\$ (0.91)
Weighted average shares outstanding – basic	9,559	9,404	9,472	9,335
Net income (loss) per share – diluted:				
Net loss per share – diluted	\$ 0.25	\$ (0.25)	\$ (0.39)	\$ (0.91)
Weighted average shares outstanding – diluted	9,709	9,404	9,472	9,335

QUMU CORPORATION
Condensed Consolidated Balance Sheets
(unaudited - in thousands)

Assets	September 30, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 8,499	\$ 7,690
Receivables, net	4,150	5,529
Contract assets	156	—
Income taxes receivable	319	156
Prepaid expenses and other current assets	1,932	1,830
Total current assets	<u>15,056</u>	<u>15,205</u>
Property and equipment, net	512	911
Intangible assets, net	4,661	6,295
Goodwill	7,132	7,390
Deferred income taxes, non-current	60	77
Other assets, non-current	925	4,398
Total assets	<u>\$ 28,346</u>	<u>\$ 34,276</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 1,841	\$ 3,878
Accrued compensation	959	1,824
Deferred revenue	9,114	8,923
Deferred rent	47	181
Financing obligations	144	1,047
Warrant liability	3,458	819
Total current liabilities	<u>15,563</u>	<u>16,672</u>
Long-term liabilities:		
Deferred revenue, non-current	1,483	141
Income taxes payable, non-current	531	3
Deferred tax liability, non-current	40	153
Deferred rent, non-current	322	507
Term loan and other financing obligations, non-current	3,304	7,608
Other liabilities, non-current	146	—
Total long-term liabilities	<u>5,826</u>	<u>8,412</u>
Total liabilities	<u>21,389</u>	<u>25,084</u>
Stockholders' equity:		
Common stock	95	94
Additional paid-in capital	68,763	68,035
Accumulated deficit	(58,923)	(56,197)
Accumulated other comprehensive loss	(2,978)	(2,740)
Total stockholders' equity	<u>6,957</u>	<u>9,192</u>
Total liabilities and stockholders' equity	<u>\$ 28,346</u>	<u>\$ 34,276</u>

QUMU CORPORATION
Condensed Consolidated Statements of Cash Flows
(unaudited - in thousands)

	Nine Months Ended September 30,	
	2018	2017
Operating activities:		
Net loss	\$ (3,665)	\$ (8,482)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,924	2,309
Stock-based compensation	767	1,090
Accretion of debt discount and issuance costs	1,194	364
Gain on sale of BriefCam, Ltd.	(6,502)	—
Loss on debt extinguishment	1,189	—
Loss on lease contract termination	177	—
Change in value of warrant liability	292	52
Deferred income taxes	(99)	(112)
Changes in operating assets and liabilities:		
Receivables	1,363	1,204
Contract assets	394	—
Income taxes receivable / payable	357	142
Prepaid expenses and other assets	291	1,070
Accounts payable and other accrued liabilities	(2,082)	563
Accrued compensation	(857)	(405)
Deferred revenue	2,283	151
Deferred rent	(121)	(132)
Other non-current liabilities	98	—
Net cash used in operating activities	<u>(2,997)</u>	<u>(2,186)</u>
Investing activities:		
Proceeds from sale of BriefCam, Ltd.	9,678	—
Purchases of property and equipment	(116)	(22)
Net cash provided by (used in) investing activities	<u>9,562</u>	<u>(22)</u>
Financing activities:		
Proceeds from term loan and warrant issuance	10,000	—
Principal payments on term loans	(14,000)	—
Payments for term loan issuance costs	(1,308)	(125)
Principal payments on financing obligations	(329)	(383)
Common stock repurchases to settle employee withholding liability	(28)	(11)
Net cash used in financing activities	<u>(5,665)</u>	<u>(519)</u>
Effect of exchange rate changes on cash	(91)	101
Net increase (decrease) in cash and cash equivalents	<u>809</u>	<u>(2,626)</u>
Cash and cash equivalents, beginning of period	7,690	10,364
Cash and cash equivalents, end of period	<u>\$ 8,499</u>	<u>\$ 7,738</u>

QUMU CORPORATION
Supplemental Financial Information
(unaudited - in thousands)

A summary of revenue is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Software licenses and appliances	\$ 985	\$ 1,822	\$ 4,303	\$ 3,971
Service				
Subscription, maintenance and support	4,091	5,113	12,251	15,061
Professional services and other	577	638	1,556	1,906
Total service	4,668	5,751	13,807	16,967
Total revenue	\$ 5,653	\$ 7,573	\$ 18,110	\$ 20,938

A reconciliation from GAAP results to adjusted EBITDA is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ 2,396	\$ (2,309)	\$ (3,665)	\$ (8,482)
Interest expense, net	262	343	1,616	994
Income tax expense (benefit)	469	(110)	303	(139)
Depreciation and amortization expense:				
Depreciation and amortization in cost of revenues	2	6	7	25
Depreciation and amortization in operating expenses	63	227	358	716
Total depreciation and amortization expense	65	233	365	741
Amortization of intangibles included in cost of revenues	288	302	879	893
Amortization of intangibles included in operating expenses	224	226	680	675
Total amortization of intangibles expense	512	528	1,559	1,568
Total depreciation and amortization expense	577	761	1,924	2,309
EBITDA	3,704	(1,315)	178	(5,318)
Gain on sale of BriefCam, Ltd.	(6,502)	—	(6,502)	—
Loss on extinguishment of debt	1,189	—	1,189	—
Increase (decrease) in fair value of warrant liability	401	(15)	292	52
Other expense, net	78	166	481	345
Stock-based compensation expense:				
Stock-based compensation included in cost of revenues	8	(3)	26	29
Stock-based compensation included in operating expenses	321	310	741	1,061
Total stock-based compensation expense	329	307	767	1,090
Adjusted EBITDA	\$ (801)	\$ (857)	\$ (3,595)	\$ (3,831)