

Quest Solution Reports Third Quarter 2017 Results

EUGENE, OR., November 17, 2017 -- Quest Solution, Inc. (OTCQB: QUES), a specialty systems integrator focused on field and supply chain mobility announced its financial results for the three and nine-month periods ended September 30, 2017.

Highlights

- Revenues for Q3 2017 of \$12.96 million declined slightly from \$13.56 for Q3 2016
- Improved gross margin of 21.8% for the quarter ended September 30, 2017, compared to 19.6% in Q3-2016
- Salary and employee benefits Operating expenses includes \$416,548 of non-cash stock based compensation
- Total operating expenses decreased 8.6% to \$9.1 million for the first nine months ended September 30, 2017 compared to \$10 million in the prior year period
- Substantial reduction of net loss from continuing operations to \$0.9 million for the three months ended, an improvement of \$1.6 million compared to the prior year period
- \$4.6 million reduction in current portion of notes payable
- Management focuses on turnaround plan aiming to strengthen the financial structure and turn to profitability

Quest reported revenues of \$12.96 million for the third quarter ended September 30, 2017 compared to \$13.56 million in the comparable 2016 period. The slight decrease was mainly attributable to unavailability of inventory at the manufacturer which delayed shipments into Q4-2017. Gross margin improved to 21.8% in the third quarter of 2017 compared to 19.6% in the prior year period, primarily due to a 7.1% decrease in the cost of goods sold. During the quarter the Company expensed \$416,548 in non-cash stock based compensation. The Company reported improved net loss from continuing operations of \$902,882, or a net loss from continuing operations of \$0.03 per share, as compared to net loss from continuing operations of \$2,467,290, or a net loss from continuing operations of \$0.07 per share in the same quarter last year. Adjusted EBITDA (Adjusted Earnings Before Interest, Taxes and Depreciation and Amortization) improved to \$309,812, or 2.4% of sales, compared to \$190,437 or 1.4% of sales in Q3-2016.

Shai Lustgarten, CEO, commented, "One of our primary goals entering the third quarter was to improve operational efficiency, and our results reflect just that. Not only did gross profit increase as a percentage of sales, we significantly reduced net loss from continuing operations. Moreover, while total operating expenses rose slightly during the quarter, this increase was largely related to \$416,548 in non-cash, stock based compensation."

For the nine months ended September 30, 2017, Quest reported revenues of \$40.9 million, compared to \$43.4 million in the comparable 2016 period. The decrease was primarily related to a temporary unavailability of inventory at the manufacturer, as described above. Gross margin improved to 21.1% in the first nine months of 2017 compared to 20.2% in the same period in 2016, primarily related to a 6.9% decrease in the cost of goods sold. During the period the Company expensed \$565,593 in non-cash stock based compensation. Net loss from continuing operations improved significantly on a nine-month basis to \$1.7 million, or a loss of \$0.05 per share, compared to a net loss from continuing operations of \$5.4 million, or a loss from continuing operations of \$0.15 per share in the prior year period. Adjusted EBITDA for the nine month period improved to \$1,405,202, or 3.4% of sales, compared to \$503,338, or 1.16% of sales for the comparable period.

Mr. Lustgarten continued, "We are pleased with the initial progress we have made in several areas of our turnaround strategy. An initial priority has been to reduce costs in the business, and we have realized significant efficiencies thus far which should translate into over \$1 million in savings in 2018. Second, the balance sheet saw marked improvement, with a \$4.6 reduction in the current portion of our notes payable."

Mr. Lustgarten concluded, "Quest has built a world class customer base of Fortune 100 companies who look to us to help solve their supply chain needs. This market is evolving quickly and Quest sits in a unique position to drive

more profitable growth. To that end, a key focus of the new management team is to offer new and enhanced solutions, with a particular focus on software and services. This year Quest launched the Route Edge software product which has been well received. We saw an increase in our more profitable software and services sales during the quarter and our goal is to continue to grow this portion of our sales mix and better leverage our valuable sales channel.”

Please refer to the financial tables included below for a reconciliation of generally accepted accounting principles in the United States (“GAAP”) to non-GAAP financial results. Please refer to the financial tables included below for a reconciliation of GAAP to non-GAAP results.

About Quest Solution, Inc.

Quest Solution is a Specialty Systems Integrator focused on Field and Supply Chain Mobility. We are also a manufacturer and distributor of consumables (labels, tags, and ribbons), RFID solutions, and barcoding printers. Founded in 1994, Quest is headquartered in Eugene, Oregon, with offices in the United States.

Rated in the Top 1% of global solution providers, Quest specializes in the design, deployment and management of enterprise mobility solutions including Automatic Identification and Data Capture (AIDC), Mobile Cloud Analytics, RFID (Radio Frequency Identification), and proprietary Mobility software. Our mobility products and services offering is designed to identify, track, trace, share and connect data to enterprise systems such as CRM or ERP solutions. Our customers are leading Fortune 500 companies from several sectors including manufacturing, retail, distribution, food / beverage, transportation and logistics, health care and chemicals / gas / oil.

Information about Forward-Looking Statements

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995. Statements in this press release relating to plans, strategies, economic performance and trends, projections of results of specific activities or investments, and other statements that are not descriptions of historical facts may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. This release contains “forward-looking statements” that include information relating to future events and future financial and operating performance. The words “may,” “would,” “will,” “expect,” “estimate,” “can,” “believe,” “potential” and similar expressions and variations thereof are intended to identify forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which that performance or those results will be achieved. Forward-looking statements are based on information available at the time they are made and/or management’s good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause these differences include, but are not limited to: fluctuations in demand for Quest Solution, Inc.’s products, the introduction of new products, the Company’s ability to maintain customer and strategic business relationships, the impact of competitive products and pricing, growth in targeted markets, the adequacy of the Company’s liquidity and financial strength to support its growth, the Company’s ability to manage credit and debt structures from vendors, debt holders and secured lenders, the Company’s ability to successfully integrate its acquisitions, risks related to the sale of Quest Solution Canada Inc. to Viascan Group Inc. and other information that may be detailed from time-to-time in Quest Solution Inc.’s filings with the United States Securities and Exchange Commission. Examples of such forward looking statements in this release include, among others, statements regarding revenue growth, driving sales, operational and financial initiatives, cost reduction and profitability, and simplification of operations. For a more detailed description of the risk factors and uncertainties affecting Quest Solution, Inc. please refer to the Company’s recent Securities and Exchange Commission filings, which are available at <http://www.sec.gov>. Quest Solution, Inc. undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless otherwise required by law.

Financial Tables Follow

QUEST SOLUTION, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | For the three months ending September 30, | | For the nine months ending September 30, | |
|--|--|----------------|---|-----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | |
| Gross Sales | \$ 13,311,109 | \$ 13,841,279 | \$ 41,594,938 | \$ 44,288,975 |
| Less sales returns, discounts, & allowances | (347,055) | (277,128) | (708,184) | (849,256) |
| Total Revenues | 12,964,054 | 13,564,151 | 40,886,754 | 43,439,719 |
| Cost of goods sold | | | | |
| Cost of goods sold | 10,132,067 | 10,910,089 | 32,263,124 | 34,648,909 |
| Total costs of goods sold | 10,132,067 | 10,910,089 | 32,263,124 | 34,648,909 |
| Gross profit | 2,831,987 | 2,654,062 | 8,623,630 | 8,790,810 |
| Operating expenses | | | | |
| General and administrative | 481,287 | 505,903 | 1,308,395 | 1,571,102 |
| Salary and employee benefits | 2,258,873 | 1,871,610 | 6,045,564 | 6,471,563 |
| Depreciation and amortization | 440,433 | 442,428 | 1,324,345 | 1,347,077 |
| Professional fees | 209,086 | 192,814 | 450,509 | 603,190 |
| Total operating expenses | 3,389,679 | 3,012,755 | 9,128,813 | 9,992,932 |
| Income (loss) from operations | (557,692) | (358,693) | (505,183) | (1,202,122) |
| Other income (expenses): | | | | |
| Restructuring expenses | - | (84,317) | (26,880) | (544,941) |
| Gain on foreign currency | - | (90,215) | - | 129,589 |
| Write-off of other assets | | (450,000) | | (450,000) |
| Interest expense | (343,092) | (1,110,804) | (1,075,147) | (2,802,980) |
| Other (expenses) income | 13,202 | 3,065 | 16,122 | 6,871 |
| Total other expenses | (329,890) | (1,732,271) | (1,085,905) | (3,661,461) |
| Net Loss Before Income Taxes | (887,582) | (2,090,964) | (1,591,088) | (4,863,583) |
| Provision for Income Taxes | | | | |
| Deferred | - | - | - | - |
| Current | (15,300) | (376,326) | (91,409) | (491,254) |
| Total Provision for Income Taxes | (15,300) | (376,326) | (91,409) | (491,254) |
| Net loss from continuing operations | \$ (902,882) | \$ (2,467,290) | \$ (1,682,497) | \$ (5,354,837) |
| Net loss from discontinued operations | - | (3,919,175) | - | (6,851,875) |
| Net Loss attributable to Quest Solution Inc. | \$ (902,882) | \$ (6,386,465) | \$ (1,682,497) | \$ (12,206,712) |
| Other Comprehensive Loss | | | | |
| Foreign Currency Adjustments | | 120,333 | | (361,744) |
| Net Loss attributable to Quest Solution Inc. | \$ (902,882) | \$ (6,266,132) | \$ (1,682,497) | \$ (12,568,456) |
| Less: Preferred stock – Series C dividend | (47,540) | (43,968) | (141,071) | (62,707) |
| Net loss attributable to the common stockholders | \$ (950,422) | \$ (6,310,100) | \$ (1,823,568) | \$ (12,631,163) |
| Net income (loss) per share - basic | \$ (0.03) | \$ (0.18) | \$ (0.05) | \$ (0.34) |
| Net income (loss) per share - diluted | \$ (0.03) | \$ (0.18) | \$ (0.05) | \$ (0.34) |

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Net loss per share from continuing operations - basic | <u>\$ (0.03)</u> | <u>\$ (0.07)</u> | <u>\$ (0.05)</u> | <u>\$ (0.15)</u> |
| Net loss per share from continuing operations - diluted | <u>\$ (0.03)</u> | <u>\$ (0.07)</u> | <u>\$ (0.05)</u> | <u>\$ (0.15)</u> |
| Net loss per share from discontinued operations - basic | <u>\$ -</u> | <u>\$ (0.11)</u> | <u>\$ -</u> | <u>\$ (0.19)</u> |
| Net loss per share from discontinued operations - diluted | <u>\$ -</u> | <u>\$ (0.11)</u> | <u>\$ -</u> | <u>\$ (0.19)</u> |
| Weighted average number of common shares outstanding - basic | <u>35,812,210</u> | <u>35,762,326</u> | <u>35,587,238</u> | <u>36,506,733</u> |
| Weighted average number of common shares outstanding - diluted | <u>35,812,210</u> | <u>35,762,326</u> | <u>35,587,238</u> | <u>36,506,733</u> |

QUEST SOLUTION, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

| | As of | |
|---|----------------------|----------------------|
| | September 30, 2017 | December 31, 2016 |
| ASSETS | | |
| Current assets | | |
| Cash | \$ 260,642 | \$ 289,480 |
| Restricted Cash | 684,610 | 665,220 |
| Accounts receivable, net (Note 5) | 8,271,965 | 10,589,677 |
| Inventory, net (Note 6) | 746,894 | 531,593 |
| Prepaid expenses | 281,215 | 272,926 |
| Other current assets | 183,347 | 772,966 |
| Total current assets | 10,428,673 | 13,121,862 |
| Fixed assets, net (Note 7) | 98,918 | 136,835 |
| Goodwill | 10,114,164 | 10,114,164 |
| Trade name, net | 2,503,731 | 2,936,481 |
| Customer Relationships, net | 5,592,116 | 6,435,652 |
| Other assets | 41,613 | 47,563 |
| Total assets | \$ 28,779,215 | \$ 32,792,557 |
| LIABILITIES AND STOCKHOLDERS' (DEFICIT) | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 13,558,337 | \$ 10,566,066 |
| Accrued interest on note payable | 33,428 | - |
| Line of credit (Note 10) | 3,677,661 | 5,059,292 |
| Advances, related party | 100,000 | 100,000 |
| Accrued payroll and sales tax | 1,571,821 | 1,829,934 |
| Deferred revenue, net (Note 9) | 830,903 | 879,026 |
| Current portion of note payable (Note 11) | 5,229,496 | 9,782,925 |
| Other current liabilities (Note 8) | 238,700 | 227,932 |
| Total current liabilities | 25,240,346 | 28,445,175 |
| Long term liabilities | | |
| Note payable, related party (Note 12) | 17,515,345 | 17,515,345 |
| Accrued interest, related party | 1,121,818 | 629,238 |
| Long term portion of note payable (Note 11) | 130,294 | 130,294 |
| Deferred revenue, net (Note 9) | 418,128 | 565,423 |
| Other long term liabilities (Note 8) | 415,397 | 332,270 |
| Total liabilities | 44,841,328 | 47,617,745 |
| Stockholders' (deficit) | | |
| Series A Preferred stock; \$0.001 par value; 1,000,000 shares designated and 0 shares outstanding as of September 30, 2017 and December 31, 2016, respectively. | - | - |
| Series B Preferred stock; \$0.001 par value; 1 share designated and 0 shares outstanding as of September 30, 2017 and December 31, 2016, respectively. | - | - |
| Series C Preferred stock; \$0.001 par value; 15,000,000 shares designated, 3,143,530 shares outstanding as of September 30, 2017 and December 31, 2016, respectively, liquidation preference of \$1.00 per share and a cumulative dividend of \$0.06 per share. | 3,144 | 3,144 |
| Common stock; \$0.001 par value; 100,000,000 shares designated, 36,157,422 and 35,095,763 shares outstanding of September 30, 2017 and December 31, 2016, respectively. | 36,157 | 35,095 |

| | | |
|--|----------------------|----------------------|
| Common stock to be repurchased by the Company | (230,490) | (230,490) |
| Additional paid-in capital | 18,887,852 | 18,302,262 |
| Accumulated (deficit) | <u>(34,758,776)</u> | <u>(32,935,199)</u> |
| Total stockholders' (deficit) | <u>(16,062,113)</u> | <u>(14,825,188)</u> |
| Total liabilities and stockholders' (deficit) | <u>\$ 28,779,215</u> | <u>\$ 32,792,557</u> |

QUEST SOLUTION, INC.
RECONCILIATION OF GAAP MEASURES TO NON-GAAP MEASURES
(UNAUDITED)

| | For the three months ending September 30, | | For the nine months Ending September 30, | |
|--|--|------------------|---|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| EBITDA Calculation: | | | | |
| Net loss | (902,882) | (6,386,465) | (1,682,496) | (12,206,712) |
| Net loss from discontinuing operations | - | 3,919,175 | - | 6,851,875 |
| Income Taxes | 15,300 | 376,326 | 91,410 | 491,254 |
| Foreign exchange gain | - | 90,215 | - | (129,589) |
| Depreciation & Amortization | 440,433 | 442,428 | 1,324,345 | 1,347,077 |
| Interest Expense | 340,413 | 1,110,804 | 1,072,469 | 2,802,980 |
| EBITDA | (106,736) | (447,517) | 805,728 | (843,115) |
| Adjusted EBITDA Calculation: | | | | |
| EBITDA | (106,736) | (447,517) | 805,728 | (843,115) |
| Non Cash stock compensation | 416,548 | 103,637 | 565,593 | 308,079 |
| Restructuring expenses | - | 84,317 | 26,880 | 544,941 |
| Merger related costs * | - | - | 7,001 | 25,188 |
| One time nonrecurring costs | - | 450,000 | - | 468,245 |
| Adjusted EBITDA | 309,812 | 190,437 | 1,405,202 | 503,338 |
| Net Revenue | 12,964,054 | 13,564,151 | 40,886,755 | 43,439,719 |
| Adjusted EBITDA as a % of Net Revenue | 2.39% | 1.40% | 3.44% | 1.16% |

* The merger related costs are fees from an independent valuation firm and legal firm which were related to the business acquisitions.

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