

ProntoForms Reports Q2 2020 Financial Results

Records 18% growth in recurring revenue over Q2 2019

OTTAWA, Aug. 20, 2020 -- ProntoForms Corporation (TSXV: PFM), the global leader in field-focused low-code application platforms for enterprise, announced today its second quarter (Q2) financial results for the period ended June 30, 2020.

"We acknowledge our customers' continued resilience and patience during these challenging times. When the COVID-19 pandemic started, we successfully adapted our operations with new home and virtual work environments," said Alvaro Pombo, Founder and Chief Executive Officer of ProntoForms. "We saw a slight decrease in our revenue base in March, April, and May but ended the quarter with a strong June resulting in the net growth of our Annual Recurring Revenue (ARR) Base of 2.5% over the previous quarter. We recorded positive income in the quarter by accessing COVID-related government assistance and managing expenses. We ended the quarter in a strong financial position with \$5.5 million in cash."

Mr. Pombo continued, "Recurring revenue decreased by 1% sequentially following 4% sequential growth in Q1 2020. Despite elevated SMB churn early on, our ARR Base increased to \$16.14 million at June 30, 2020 as several deals were finalized towards the end of the quarter. We continued strong enterprise expansion, and customers with more than \$100,000 of ARR each represented 38% of that base—up from 30% a year ago."

Mr. Pombo continued, "Leading IT analysts see continued investment in low-code applications as a long-term business trend. Additionally, they note that the pandemic is elevating custom low-code apps to the CIO office as key solutions to accelerate enterprise digital transformation strategies. We continue to invest in and release cutting edge capabilities in our platform to bolster existing field operation tech stacks and empower field technicians. We see the ongoing expansion of use cases and subscribers of our enterprise base as an indicator of the quantifiable value our platform provides to customers."

Financial Highlights – 2020 Second Quarter

- Recurring revenue in Q2 2020 increased by 18% to \$3.89 million compared to \$3.30 million in Q2 2019 and decreased by 1% compared to \$3.94 million in Q1 2020.
- Total revenue for Q2 2020 increased by 13% to \$4.16 million compared to \$3.68 million in Q2 2019 and decreased by 2% compared to \$4.24 million in Q1 2020.
- Gross margin for Q2 2020 was 88% of total revenue compared to 84% in Q2 2019 and 85% in Q1 2020. Gross margin on recurring revenue was 93% for Q2 2020 compared to 90% in Q2 2019 and 92% in Q1 2020.
- Operating income for Q2 2020 was \$0.35 million, up from an operating loss of \$0.42 million in Q2 2019 and \$0.24 million in Q1 2020. Gross margins and operating income were positively impacted by government assistance of \$0.6 million that was earned in the second quarter.
- Net income for Q2 2020 was \$0.21 million, up from a net loss of \$0.53 million in Q2 2019 and \$0.17 million in Q1 2020.
- As at June 30, 2020, ProntoForms' cash and net working capital balances were \$5.52 million and \$3.59 million respectively, compared to \$5.70 million and \$3.37 million as at December 31, 2019.

Recent Operational Highlights

- Notable new and expansion progress from enterprise customers, including:
 - A Fortune 500 medical equipment manufacturer signed a \$580K, forty-month commitment to expand the use of ProntoForms to improve equipment uptime, increase service reliability and meet meticulous compliance requirements.
 - A top ten global medical device manufacturer signed a \$415K professional services agreement with ProntoForms to develop expanded capabilities that would enable multiple technicians to collaborate over extended periods of time on complex medical equipment installations.
 - A global brand manufacturer grew its ProntoForms deployment from 8K to 12K+ subscribers. The subscriber addition encompasses all North American-based employees working in corporate offices and customer locations as a key technology component of its re-opening strategy to improve the safety of employees and customers.
 - A Global 500, European-based logistics company has expanded its ProntoForms subscribers to support outsourced logistic services.
 - A leading American food manufacturer and processing company signed a \$80K agreement and rapidly deployed a ProntoForms solution. The solution helps ensure employee safety and uninterrupted operations across multiple plants.
 - A global brand manufacturer of facility equipment expanded its commitment to ProntoForms with an agreement of \$132K ARR, bringing its total commitment to over \$1.1M of ARR. The company uses the platform to create custom applications to improve the full cycle of equipment installation, maintenance, and services.
- ProntoForms, with ServiceMax, hosted an invitation-only digital transformation Zoom event for 25 top medical device manufacturers. Founder and CEO, Alvaro Pombo, was moderator of a digital transformation panel discussion featuring two of world's top ten medical manufacturing brands—Philips Healthcare and Medtronic—on how custom low-code applications are key part of their digital strategy supporting the field engineers.

Q2 Conference Call Date:

Date: Thursday, August 20th, 2020
 Time: 9:00 AM Eastern Time

Participant Dial-in Numbers:

Local Toronto – (+1) 416 764 8688
 Toll Free – (+1) 888 390 0546
 Conference ID: 47753649

Recording Playback Numbers:

Local Toronto– (+1) 416 764 8677
 Toll Free – (+1) 888 390 0541
 Passcode: 753649 #

Expiry Date: Thursday, August 27th, 2020 at 11:59pm EST

About ProntoForms Corporation

ProntoForms is the global leader in field-focused low-code application platforms for enterprise. The Company's solution is used to create apps and forms to collect and analyze field data with smartphones and tablets – either as a standalone solution or as a mobile front-end to enterprise systems of record.

The Company's 100,000+ subscribers harness the intuitive, secure, and scalable solution to increase productivity, improve quality of service, and mitigate risks. The Company is based in Ottawa, Canada, and trades on the TSXV under the symbol PFM. ProntoForms is the registered trademark of ProntoForms Inc., a wholly owned subsidiary of ProntoForms Corporation.

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Certain information in this press release may constitute forward-looking information. For example, statements about the Company's future growth or value, the revenues anticipated to be received by the Company from recent contracts referred to above and anticipated market trends are forward-looking information. This information is based on current expectations that are subject to significant risks and uncertainties that are difficult to predict. Actual results might differ materially from results suggested in any forward-looking statements. The Company's business and value may not grow as anticipated or at all, revenue anticipated from contracts may not be received due to many risks, including factors specific to the customer, and anticipated market trends may not occur or continue. Historical growth levels and results may not be indicative of future growth levels or results. The Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward looking-statements unless and until required by securities laws applicable to the Company. *There are a number of risk factors that could cause future results to differ materially from those described herein. Please see "Risk Factors Affecting Future Results" in the Company's annual management discussion and analysis dated April 10, 2019 found at www.sedar.com for a discussion of such factors.* Please also refer to the Company's management discussion and analysis for the year ended December 31, 2019 for a description of how the Company determines and uses ARR. ARR is a key performance indicator used by the Company and is not meant as an indication such amounts will necessarily be included in revenues in any given fiscal year.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

ProntoForms Corporation

Condensed interim consolidated statements of financial position
 as at June 30, 2020 and December 31, 2019
 (in United States dollars)

	June 30, 2020 \$	December 31, 2019 \$
Assets		
Current assets		
Cash and cash equivalents	5,523,551	5,700,003
Accounts receivable	2,202,519	2,538,530
Investment tax credits receivable	85,093	185,213
Unbilled receivables	188,311	197,264
Related party loan receivable	78,847	82,694

Prepaid expenses and other receivables	1,442,100	1,031,390
	9,520,421	9,735,094
Property, plant and equipment	442,290	481,242
Right-of-use asset	785,085	912,399
	10,747,796	11,128,735
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,329,644	2,493,913
Deferred revenue	3,284,111	3,562,816
Derivative liability - current portion	72,094	65,041
Lease obligation - current portion	241,334	246,517
	5,927,183	6,368,287
Long-term debt	2,681,075	2,717,146
Lease obligation	588,358	745,599
Derivative liability	16,872	61,524
	9,213,488	9,892,556
Shareholders' equity		
Share capital	25,089,907	25,069,032
Contributed surplus	864,907	864,907
Share-based payment reserve	3,583,439	3,345,960
Warrant reserve	692,960	692,960
Deficit	(28,881,340)	(28,921,115)
Accumulated other comprehensive income	184,435	184,435
	1,534,308	1,236,179
	10,747,796	11,128,735

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Condensed Interim Consolidated Statements of income (loss) and comprehensive income (loss)

For the three and six months ended June 30, 2020 and 2019

(in United States dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue				
Recurring revenue	3,890,920	3,304,579	7,832,875	6463530
Professional and other services	271,424	371,688	572,183	729922
	4,162,344	3,676,267	8,405,058	7193452
Cost of Revenue				
Recurring revenue	275,865	339,635	597,665	701074
Professional and other services	216,129	264,038	514,100	554792
	491,994	603,673	1,111,765	1255866
Gross Margin	3,670,350	3,072,594	7,293,293	5937586
Expenses				
Research and development	1,161,873	1,245,161	2,343,240	2285248
Selling and marketing	1,545,168	1,561,004	3,411,237	3103827
General and administrative	615,590	683,665	1,429,051	1364084
	3,322,631	3,489,830	7,183,528	6753159
Income (loss) from operations	347,719	(417,236)	109,765	(815,573)

Foreign exchange (loss) gain	(43,813)	(17,118)	123,104	-53145
Interest and accretion	(95,232)	(94,808)	(191,557)	-183851
Change in fair value of derivative liability	(954)	(880)	(1,537)	-10407
Net and comprehensive income (loss)	207,720	(530,042)	39,775	(1,062,976)
Net comprehensive loss per common share basic and diluted	0.00	0.00	0.00	(0.01)
Weighted average number of common shares basic and diluted	117,455,093	109,926,030	117,437,968	109165685

Share-based compensation included in accounts:

Cost of revenue	8,243	9,616	29697	22341
Research and development	24,327	13,956	51918	32562
Selling and marketing	27,937	28,674	68825	68124
General and administrative	37,563	30,074	95829	70804
	98,070	82,320	246,269	193831

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Condensed interim consolidated statements of cash flows

For the six months ended June 30, 2020 and 2019

(in United States dollars)

	Six months ended June 30,	
	2020	2019
	\$	\$
Operating activities		
Net income (loss)	39,775	(1,062,976)
Items not affecting cash		
Share-based compensation	246,269	193,831
Accretion on long-term debt	90,913	79,332
Accretion on lease obligations	23,984	31,573
Change in fair value of derivative liability	1,537	10,407
Amortization of property, plant and equipment	80,371	56,959
Amortization of right-of-use asset	127,314	134,802
Unrealized foreign exchange (gains) losses	(133,599)	91,878
Lease interest paid	(23,984)	(31,573)
Changes in non-cash operating working capital items	(408,600)	627,614
	43,980	131,847
Financing activities		
Payment of lease obligations	(116,808)	(119,880)
Partial settlement of derivative liability	(33,028)	(34,393)
Proceeds from the exercise of warrants	-	2,433,948
Proceeds from the exercise of options	12,085	41,335
	(137,751)	2,321,010
Investing activities		
Purchase of property, plant and equipment	(41,419)	(126,057)
Effect of exchange rate changes on cash	(41,262)	93,396
Net cash (outflow) inflow	(176,452)	2,420,196
Cash and cash equivalents, beginning of year	5,700,003	3,325,241
Cash and cash equivalents, end of year	5,523,551	5,745,437