



VersaPay Announces Q2 2018 Financial Results

- ARC Annual Recurring Revenue Grows by 133% Year over Year -

Toronto, ON – August 28, 2018 – VersaPay Corporation (TSXV: VPY) (“VersaPay” or the “Company”), a leading provider of cloud-based invoicing, accounts receivable management and payment solutions, today announced second quarter (“Q2”) financial results for the three- and six-month period ended June 30, 2018.

“The second quarter was a landmark period for the Company,” said Craig O’Neill, CEO of VersaPay. “We signed 14 new clients representing \$1 million in committed ARC ARR in the quarter, an increase of more than 40% in total ARC ARR as these new clients come online.”

Mr. O’Neill continued, “We are extremely pleased, not only with this overall sales result, but with the mix of deals closed, with one half from our direct sales efforts and one half from our channel partners, and with the continued growth of our sales pipeline which we expect will support similar sales results in future quarters.”

Operational Highlights:

- **Strong new sales ARC™:** 14 new clients were signed in the quarter. This again represents the Company's strongest sales quarter ever and was made up of nine sales in the US, and five sales in Canada. Seven of these sales came from channel partners and seven were from VersaPay’s direct sales efforts. Not only was this a record number of clients signed in a quarter, US pipeline growth also exceeded previous quarters. These results are a direct outcome of the US expansion plan the Company embarked on in Q4 2017. The plan included expanding the sales team in the US and increasing VersaPay’s digital marketing investment, both are positively impacting sales results in the first half of 2018.
- **Strong increases ARC™ usage metrics:** At the end of June 30, 2018, 117,578 end-customers were using ARC™ compared to 51,212 at the end of June 30, 2017, and approximately 452,000 invoices were delivered to end-customers during the Q2 2018 compared to 305,000 invoices in Q2 2017. Total payments in Q2 2018 were \$149 million, compared to \$50 million in Q2 2017 and \$156 million in Q1 2018.
- **Expanded Channel program:** Five Value-Added Resellers (VAR) were signed in Q2 2018, bringing the total number of VARs the Company is partnered with to eight. VARs are well-positioned to sell and implement ARC as a natural extension of the current business they do with their clients. VersaPay is marketing to VARs that specialize in Sage Intacct, Oracle JDE and Accumatica – a community of more than 5,000 companies – as part of its channel strategy to complement large channel partners RBC and Ricoh.

Financial Highlights:

- Total Revenue for Q2 2018 increased by 80.1% to \$1.14 million compared to \$0.63 million in Q2 2017.
- Total Annual Recurring Revenue (“ARR”) as of Q2 2018 was \$4.22 million, compared to \$2.23 million as of Q2 2017, an increase of 86%.
- Annual Recurring Revenue from ARC increased to \$2.3 million compared to \$1.0 million in Q2 2017 and \$1.9 million in Q1 2018. This represents an increase of 133% year over year and an increase of 20% quarter over quarter.
- Gross profit percentage for Q2 2018 was 69.1%, compared to 57.3% in Q2 2017.
- Total comprehensive loss for Q2 2018 was (\$3.69) million, compared to (\$1.95) million for Q2 2017.
- Adjusted EBITDA⁽¹⁾ was (\$2.90) million in Q2 2018, compared to (\$1.70) million in Q2 2017.
- Total operating expense for Q2 2018 increased by 96% to \$4.5 million, compared to \$2.3 million for the three-months ended June 30, 2017. Included in Q2 2018 operating expense are share-based payments representing \$0.2 million (Q2 2017 - \$0.1 million), \$0.5 million related to restricted share units (Q2 2017 - \$0.04 million), and \$0.1 million of one-time expenses (Q2 2017 - \$nil) connected with the Company’s exploratory M&A activities. Excluding these items, expenses increased by 60% compared to Q2 2017.
- As at June 30, 2018, the Company had cash on hand of \$9.9 million compared to \$15.83 million as at December 31, 2017.

The term Adjusted EBITDA (“Adjusted EBITDA”) is a non-IFRS measure and refers to earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) and is a non-IFRS financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA provides useful information to users as it reflects the net earnings prior to the effect of non-operating expenses, share based compensation (which includes share-based payments, restricted share units, performance share units, and deferred share units), and unusual items such as discontinued operations. Management uses Adjusted EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors Adjusted EBITDA against budget and past results on a regular basis

The term Monthly Recurring Revenue (“MRR”) is a non-IFRS measure and includes revenues earned in a given month relating to monthly fixed subscription fee, monthly transaction fees, ARC Lite™ revenue, and PayPort™ revenue. MRR is a common metric used in Software as a Service (“SaaS”) companies and its definition is not guided by IFRS standards. Accordingly, MRR is unlikely to be comparable to similar measures presented by other issuers.

The term Annualized Recurring Revenue (“ARR”) is a non-IFRS measure and refers to multiplying the MRR value defined above by 12 to represent management’s best estimate of forward looking 12 months of recurring revenues that the Company would earn based on the current Monthly Recurring Revenue

The term operating expense is the aggregation of general and administrative expenses, research and development expenses, and sales and marketing expenses.

**Conference Call Details:**

Date: Wednesday, August 29, 2018
Time: 9:00 AM Eastern Time
Participant Dial-in Numbers:
Local – Toronto (+1) 416 764 8609
Toll Free – North America (+1) 888 390 0605
Conference ID: 62830263

Recording Playback Numbers:
Toronto (+1) 416 764 8677
Toll Free – North America (+1) 888 390 0541
Passcode: 830263#
Expiry Date: Wednesday, September 5, 2018 11:59 pm

A live audio webcast and archive of the conference call will be available by visiting the Company's website at <http://www.versapay.com/company/investor-relations/>. Please connect at least 15 minutes prior to the conference call to ensure time for any software download that may be needed to hear the webcast.

About VersaPay

VersaPay is a leading cloud-based invoice presentment and payment provider for businesses of all sizes. VersaPay's ARC software-as-a-service offering allows businesses to easily deliver customized electronic invoices to their customers, to accept credit card and EFT payments and automatically reconcile payments to their ERP and accounting software. VersaPay is headquartered in Toronto, Canada and has operations in Montreal.

More information about VersaPay can be found on the Company's website at www.versapay.com or under the Company's profile on SEDAR at www.sedar.com.

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Forward Looking and Other Cautionary Statements

This news release contains “forward-looking information” which may include, but is not limited to, statements with respect to the activities, events or developments that the Company expects or anticipates will or may occur in the future. Such forward-looking information is often, but not always, identified by the use of words and phrases such as “plans,” “expects,” “is expected,” “budget,” “scheduled,” “estimates,” “forecasts,” “intends,” “anticipates,” or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, occur or be achieved.

These forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business. Management believes that these assumptions are reasonable. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, risks related to the speculative nature of the Company’s business, the Company’s formative stage of development and the Company’s financial position.

Forward-looking statements contained herein are made as of the date of this news release and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

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