



VersaPay Announces Q3 2019 Financial Results

- Record Sales of \$1.25 million in quarter -

Toronto, ON – November 26, 2019 – VersaPay Corporation (TSXV: VPY) (“VersaPay” or the “Company”), a leading provider of cloud-based invoice-to-cash solutions including electronic invoice presentment and payment, automated collections and cash application, today announced its financial results for the three and nine-month periods ended September 30, 2019.

“I’m very pleased to announce that VersaPay achieved a record \$1.25 million ARR in new sales in Q3,” said Craig O’Neill, CEO of VersaPay. “This raises our subscription backlog to \$1.57 million, and our annual recurring revenue, including subscription backlog to over \$9.38 million. Total ARC-related revenues grew 161% year-over-year to \$1.80 million, while overall revenue increased 90% year-over-year to \$2.23 million. As ARCTM contributes a growing share of our overall revenue, our gross margins continue to climb, growing to 83% this quarter, up from 76% in Q3 2018.”

Mr. O’Neill continued, “In addition to the record ARCTM sales in the quarter, we achieved professional services sales of \$0.47 million, resulting in an increase to the professional services backlog of \$0.26 million to \$1.09 million.”

Operational Highlights for Q3:

- **Market Expansion:** Several noteworthy new deals were signed in the quarter:
 - Three large distributors, two in the US and one in Canada;
 - Four commercial realty companies, including the company's first REIT in Canada;
 - Four add-on credit card processing contracts with existing clients.
- **Strong quarter for ARCTM sales:** 13 new ARCTM wins during the quarter that represented over \$1.25 million in new ARCTM ARR, with about 18% of sales coming through channel partners. From a geographic standpoint, 83% of sales came from the U.S. Moreover, the Company signed professional services contracts worth approximately \$0.47 million in the quarter representing the highest quarter of such sales to-date.
- **Healthy conversion of backlog to ARCTM Revenue:** The Company converted approximately 52% of its ARCTM subscription backlog (which are contractually signed but unbilled clients) as of June 30, 2019 to revenue in the quarter, while growing its backlog of clients from \$1.18 million at the end of Q2, 2019 to \$1.57 million at the end of Q3 2019. This signals a healthy growth in the business, and continued revenue growth in the near term.
- **Strong growth in ARCTM usage metrics:** The usage of ARCTM is an important indicator of the value clients are receiving from the platform and a good predictor of

continued sales and revenue growth. As at the end of the quarter, 215,176 end-customers were using ARC™ compared to 129,331 at the end of Q3 2018, approximately 967,000 invoices were delivered to end-customers during the quarter compared to 561,000 invoices in Q3 2018, and finally 309,000 invoices worth \$305 million were paid on ARC™ in Q3 2019, compared to 213,000 invoices worth \$179 million in Q3 2018.

Financial Highlights:

- **Continued investment in ARC™:** Consistent with its growth strategy, the Company continued to invest in ARC™ to establish itself as the leader in the emerging AR Automation market. The continued investment in Research and Development ("R&D") and Sales & Marketing during the quarter contributed to the Company's continued net loss for the quarter.
- **Revenue in Q3 2019 increased by 90% year over year:** Revenue for Q3 2019 increased year over year by \$1.06 million to \$ 2.23 million (Q3 2018: \$1.17 million), an increase of 90% year over year. Total ARC™ revenue, which has higher margins than the Company's other product, PayPort™, grew to \$1.84 million as at the end of Q3 2019, compared to \$0.71 million at Q3 2018 (growth of 161% year over year).
- **Total Operating expenses for Q3 2019 increased by 12% year over year:** Operating expenses for Q3 2019 increased by \$0.47 million to \$4.28 million (Q3 2018: \$3.81 million), an increase of 12% year over year. A bulk of this was made up of non-cash related expenditures including mark-to-market adjustment of share-based compensation (an increase of \$0.21 million year-over-year), and an increase of \$0.33 million in amortization due to the new IFRS 16 – Leases accounting standard¹. Total salaries and benefits, however, were approximately \$2.34 million in Q3 2019, a decrease of \$0.19 million or 7% from Q3 2018.
- **ARC™ ARR for Q3 2019 increased by 134% year over year:** ARC™ ARR increased to \$5.93 million in Q3 2019 compared to \$2.53 million in Q3 2018. This represents an increase of 134% year over year. The increase in ARR is related mainly to our U.S. expansion plan, vertical focused strategy, and customer-centric messaging.

¹ See further details on the new IFRS 16 – Leases accounting standard implementation in the "Financial highlights" section.

The following is a reconciliation of Adjusted EBITDA to total comprehensive (loss) income:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
		Recast		Recast
	\$	\$	\$	\$
Adjusted EBITDA	(1,789,638)	(2,773,100)	(6,430,710)	(7,844,326)
Share based compensation	(231,543)	(80,683)	(917,673)	(1,093,414)
Net finance expense (IFRS 16)	(150,446)	-	(429,702)	-
Other finance income (costs)	20,570	19,067	72,100	57,386
Amortization - RoU assets (IFRS 16)	(275,419)	-	(771,597)	-
Amortization - other assets	(98,075)	(46,835)	(315,629)	(108,892)
Other non-operating expenses	(40,000)	-	(40,000)	(155,000)
Foreign currency translation differences	33,910	(13,557)	(40,815)	(13,200)
Total comprehensive (loss) income	(2,530,641)	(2,895,108)	(8,874,026)	(9,157,446)

The term *Adjusted earnings before interest, taxes, depreciation and amortization* (“Adjusted EBITDA”) 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 before interest, taxes, depreciation and amortization and adjusted for the effect of non-operating expenses (including M&A and non-recurring restructuring activities), 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 and sales tax accrual. 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 *ARC™ Annualized Recurring Revenue* (“ARC™ ARR”) is a non-IFRS measure and refers to the MRR value as defined above of fixed subscription fees, monthly transaction fees, and ARC Lite™ revenue multiplied 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 ARC™ MRR.

The term *PayPort™ Annualized Recurring Revenue* (“PayPort™ ARR”) is a non-IFRS measure and refers to the sum of the trailing twelve months of PayPort™ MRR revenues, as defined above, to represent management’s best estimate of forward looking 12 months of PayPort™ recurring revenues that the Company would earn.

The term *Operating Expense* is the aggregation of general and administrative expenses, research and development expenses, and sales and marketing expenses.

The term *Backlog for ARC™ Subscriptions* represents the annual recurring amount that customers have contractually committed to but have not yet been billed. The term *Backlog for ARC™ Professional Services*



represents revenue expected to be recognized in the future related to contracted non-recurring implementation services that are yet to be performed.

**Conference Call Details:**

Date: Wednesday, November 27th, 2019

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: 82608648

Recording Playback Numbers:

Toronto (+1) 416 764 8677

Toll Free – North America (+1) 888 390 0541

Passcode: 608648 #

Expiry Date: Wednesday, December 4th, 2019

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 ARCTM 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.

Neither the 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.