

Pivot Technology Solutions Reports Second Quarter 2016 Results

Toronto, Canada, August 26, 2016

Pivot Technology Solutions, Inc. ("Pivot" or the "Company") (TSX-V: PTG), today publishes its results for the second quarter ended June 30, 2016.

Financial Highlights Q2 2016

- Revenues of \$373.7 million, up 4.4% compared to Q2 2015, attributable primarily to strong product sales.
 - Product sales of \$331.1 million, up 5.4% compared to Q2 2015.
 - Service revenues down 2.2% to \$39.9 million compared to Q2 2015.
- Gross profit up \$1.3 million, or 2.9%, to \$46.6 million from the same period in the prior year.
- Gross margin for the quarter was 12.5%, down slightly from 12.7% in Q2 2015.
- Adjusted EBITDA* came in at \$9.1 million, down 8.0% from Q2 2015.
- Excluding changes in non-cash working capital balances, the Company generated \$5.6 million in cash from operating activities, as compared to \$5.9 million for the same period last year.
- As previously announced, the Company was informed by Austin Ribbon & Computer Supplies that it intended to terminate its distribution, licensing and administrative services agreements with Pivot, effective August 31, 2016. In relation to the anticipated decrease in future revenue and gross profit related to this entity, the Company conducted an interim impairment test. Accordingly, Pivot recorded a non-cash impairment charge of \$3.8 million.

Q2 Operational Highlights & Events Subsequent to the Quarter

- The Company announced Board and Management changes. Kevin Shank has taken over as CEO from Warren Barnes, who remains affiliated with the Company as a Board member and consultant, effective May 1, 2016. Mr. Shank was also elected to the Board of Directors.
- Mr. Wade Dawe was elected as a new member to Pivot's Board of Directors at the Company's Annual and Special Meeting of Shareholders.
- The Company appointed Brian Kyle, former CFO of Teranet and TSX listed DH Corporation as its new CFO.
- The Company announced that its Board of Directors has approved, under its dividend policy, a quarterly cash dividend on the common shares of the Company in the amount of CAD \$0.01 per common share (CAD \$0.04 per share annualized), payable on September 15, 2016, to holders of record at the close of business on August 31, 2016.

Financial Highlights H1 2016

- Revenues of \$706.5 million, up 8.0% compared to H1 2015, attributable primarily to strong product sales.
 - Product sales of \$622.9 million, up 9.3% compared to H1 2015.

- Service revenues relatively stable, down 0.2%, or \$0.2 million, to \$79.2 million compared to H1 2015.
- Gross profit up \$7.1 million, or 9.2%, to \$84.6 million from the same period in the prior year.
- Gross margin for the six months ended June 30, 2016 was 12.0%, up slightly from 11.8% in H1 2015.
- Adjusted EBITDA* came in at \$10.6 million, down 5.8% from H1 2015.
- Excluding changes in non-cash working capital balances, the Company generated \$6.5 million in cash from operating activities, as compared to \$7.1 million for the same period last year.

Management Commentary

“Our earlier investments in our sales organization helped deliver positive growth for our core IT infrastructure products and solutions business during the quarter.” stated Kevin Shank, CEO of Pivot. During this same timeframe, the investments made in driving professional and product related services didn’t yield that same growth, thus our services business was relatively flat for the quarter. We will continue to invest in product and professional services as part of our core business, as these services are very important in securing new product sales and preserving gross margin. Volumes in this area are subject to some volatility, based on the infrastructure we’re selling to our customers in any given quarter.”

He continued, “With that said, we are now beginning to invest in leadership, capabilities, tools, and capacity to build and deliver an expanded suite of managed service offerings. We believe this segment represents a very significant growth opportunity for the Company in the future, in particular among our strong and growing existing customer base. While this transition will take time, we believe that the higher-margin, recurring-revenue nature of managed services should drive sustainable growth of profitability as this segment of our business grows.”

“We are more positive with how our expense base is trending in Q2 versus Q1. Additionally, we are shifting our investment to more closely align with our strategy, investing in, and allocating resources to those areas where we anticipate being able to drive profitable, sustainable growth into the future. Going into Q3, while too early to make projections on revenue and profitability, we are witnessing a business climate in line with historically typical market activity.”

Q2 2016 Financial Review

Revenues came in at \$373.7 million, up \$15.8 million, or 4.4% from Q2 2015. Revenue growth was attributable predominantly to increased product sales, which came in at \$331.1 million, up \$17.0 million, or 5.4% over Q2 of 2015.

The net increases in product sales over the prior year quarter was due primarily to major customers, with a growth of \$22.0 million, which more than offset a \$5.0 million fall in product sales to non-major customers. While the Company did sell less to non-major accounts overall during the quarter, this was predominantly due to the Texas market, where Pivot is experiencing a cautious investment climate related to depressed oil prices. Outside of Texas, the business climate continued to be healthy, and the Company achieved growth in its non-major accounts also, as Pivot continues to deepen existing relationships and engage with new customers.

A modest fall was recorded for the Company's services business, which saw revenues 2.2% behind last year's comparable period at \$39.9 million. However, quarter over quarter First Call and maintenance contract revenue increased \$0.2 million, offset by a decline in professional and project related services revenues of \$1.1 million.

Gross profit of \$46.6 million was up 2.9%, or \$1.3 million, from Q2 2015. Gross profit margin of 12.5% was down slightly from 12.7% in Q2 2015 due to a higher contribution from sales to major customers, which carry a lower margin.

The Company recorded adjusted EBITDA* for Q2 2016 of \$9.1 million, down 8.0%, or \$0.8 million, from Q2 2015, as the increase in gross profit was offset by higher operating expenses, due primarily to investments in infrastructure to help drive and carry growth, as well as a non-cash charge related to the Company's stock option plan.

Selling and administrative expenses for Q2 2016 increased by 6.0%, or \$2.1 million, to \$37.5 million, as compared to Q2 2015 due to the reasons referenced above.

On June 1, 2016, the Company was informed by Austin Ribbon & Computer Supplies that it intended to terminate its distribution, licensing and administrative services agreements with Pivot. The termination of the agreements indicates the business unit will experience significant decreases in expected future revenues and gross profit. As such, the Company reviewed its business forecast and performed an interim impairment test. The Company concluded that the recoverable amount based on the value in use impairment test was less than the carrying amount, and accordingly recorded an impairment charge of \$3.8 million, consisting of a write off of goodwill of \$1.3 million and a reduction of other intangibles of \$2.5 million during the three month period ended June 30, 2016. Total gross sales reported by Pivot in respect of Austin Ribbon were approximately \$23.1 million for the three month period ending June 30, 2016, and \$47.2 million year to date. Austin Ribbon's sales efforts were concentrated in the state of Texas, serving both public and private organizations.

Excluding changes in non-cash working capital balances, the Company generated \$5.6 million in cash from operating activities, as compared to \$5.9 million for the same period last year. As at June 30, 2016, total cash on hand was \$18.9 million, up from \$8.0 million as at December 31, 2015.

Cash used in investing activities decreased by \$0.2 million compared to the same period in the prior year. The decrease is due primarily to a reduction in capital expenditures, as substantial investments were made in the comparable prior year period due to costs incurred for a new, state of the art warehouse and integration center.

H1 2016 Financial Overview

Revenues for the six months ended June 30, 2016 increased by \$52.2 million, or 8.0%, to \$706.5 million, as compared to the same period last year.

Compared to the same period in the prior year, product sales increased by 9.3%, or \$53.1 million, to \$622.9 million, driven both by non-major customer growth of \$26.7 million and major customer growth of \$26.4 million.

Service revenue remained relatively stable, decreasing marginally by 0.2%, or \$0.2 million, on a year over year basis to \$79.2 million, as compared to H1 2015. For the period, a \$1.4 million fall in professional services and staffing revenue was offset to a large extent by a \$1.2 million increase in First Call and maintenance contract revenues. Service revenues accounted for 11.2% of total revenue, down from 12.1% in 2015.

Revenue growth and a slight increase in gross profit margin to 12.0% from 11.8% last year, resulted in gross profit of \$84.6 million, up by 9.2%, or \$7.1 million compared to the same period in the previous year.

Adjusted EBITDA* for H1 2016 fell by \$0.7 million, or 5.8% to \$10.6 million, attributable to investments made in the organization to drive and carry growth going forward.

Excluding changes in non-cash working capital balances, the Company generated \$6.5 million in cash from operating activities, as compared to \$7.1 million for the same period last year, attributable to higher operating expense related to investments in people to drive and carry growth going forward.

Normal fluctuations in revenue performance, which are commonplace in the industry, drive significant movements in working capital, in particular with regards to accounts receivable, inventory and accounts payable. Consequently, movements in working capital balances are largely volume related, however, the Company focuses on driving improvement in its business processes to optimize the use of its secured borrowing facilities and effectively manage working capital. As such, the Company uses the average undrawn availability on existing, secured credit facilities as a key measure of liquidity, which for the first six months of fiscal 2016 stood at \$59.5 million, as compared to \$25.4 million for the comparable period in 2015.

Conference Call

DATE: Friday, August 26, 2016

TIME: 11:00 a.m. ET

DIAL IN NUMBER: +1 647-427-7450
+1 888-231-8191

TAPED REPLAY: 416-849-0833 or 1-855-859-2056
Available from August 26, 2016 14:00 ET to September 9, 2016 23:59 ET
Reference number: 62629856

Subsequently, a recording of the call will be posted on the Company's website: www.pivotts.com.

About Pivot Technology Solutions, Inc.

Together with its portfolio companies and partners, Pivot delivers solutions that enable organizations to design, build, implement and maintain computing and communication infrastructure that addresses their unique business needs. Pivot's approach supports improvement of business performance, helps organizations reduce capital and operating expenses, and accelerates the delivery of new products and services to end-customers. With over 2,000 customers, many of whom are Fortune 1000 companies, Pivot extends its value added solutions to help organizations of all sizes improve operating efficiency, reduce

complexity and enhance service delivery through virtualization and cloud computing. Pivot enables businesses to extend their enterprise through mobility solutions to better connect business partners and customers. Pivot has offices throughout North America and can be found online at www.pivotts.com.

Forward Looking Statements

This news release contains statements that, to the extent they are not recitations of historical fact, may constitute "forward-looking statements" within the meaning of applicable Canadian securities laws. Forward-looking statements include statements regarding the payment of a quarterly cash dividend on September 15, 2016, growth opportunities, sustainable growth and growth of profitability, expansion of Pivot's services business, continued innovation, capitalizing on opportunities in the higher-margin managed services segment, continued execution on Pivot's verticalization strategy, and the assumptions underlying any of the foregoing. Pivot uses words such as "may", "would", "could", "will", "likely", "expect", "believe", "intend", "anticipate" and similar expressions to identify forward-looking statements. Any such forward-looking statements are based on assumptions and analyses made by Pivot in light of its experience and its perception of historical trends, current conditions and expected future developments, including the assumption that opportunities identified by Pivot may lead to expansion of its services and cross-selling opportunities across the business, continued innovation by Pivot that the general business climate will not deteriorate, that the Company will be in a financial position to pay a dividend on September 15, 2016 and in subsequent periods, that such payment will be permitted under the Company's credit facilities, as well as other factors Pivot believes are appropriate under the relevant circumstances. However, whether actual results and developments will conform to Pivot's expectations and predictions is subject to any number of risks, assumptions and uncertainties. Many factors could cause Pivot's actual results to differ materially from those expressed or implied by the forward-looking statements contained in this news release. These factors include, without limitation: uncertainty in the global economic environment; delays in the purchasing decisions of Pivot's customers; the competition Pivot faces in its industry and/or marketplace; the possibility of technical, logistical or planning issues in connection with the deployment of Pivot's products or services; the possibility that Pivot will not be able to further align its support functions with the selling and delivery arms of the business; uncertainty with respect to the ability of the Company to pay a quarterly dividend under its credit facilities; the possibility that Pivot will be unable to capitalize on opportunities it has identified in the manner and timeframe anticipated, and the possibility that Pivot will not be able to successful in sustaining growth or growing its profitability. The "forward-looking statements" contained herein speak only as of the date of this press release and, unless required by applicable law, the Company undertakes no obligation to publicly update or revise such information, whether as a result of new information, future events or otherwise.

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.

Pivot Technology Solutions, Inc.

SELECTED FINANCIAL INFORMATION

Full financial statements and related Management Discussion and Analysis can be found on SEDAR and the Company's website www.pivotts.com

All figures are in US \$'000s

	Three months ended June 30, (unaudited)		Six months ended June 30, (unaudited)	
	2016	2015	2016	2015
Revenues	373,708	357,882	706,495	654,255
Cost of sales	327,072	312,580	621,856	576,757
Gross profit	46,636	45,302	84,639	77,498
Selling and administrative expenses	37,513	35,382	74,065	66,269
Adjusted EBITDA*	9,123	9,920	10,574	11,229
Depreciation and amortization	2,979	3,200	5,858	6,285
Transaction costs	164	125	355	142
Interest expense	1,147	1,831	2,185	3,668
Impairment	3,838	-	3,838	-
Change in fair value of liabilities	22	113	705	838
Other (income) expense	(430)	112	1,013	113
Income (loss) before income taxes	1,403	4,539	(3,380)	183
Provision for income taxes	1,618	1,876	590	627
Net and comprehensive income (loss)	(215)	2,663	(3,970)	(444)

*Non-IFRS Financial Measures

The Company internally measures its performance and results of initiatives through a number of measures that are not recognized under IFRS and may not be comparable to similar measures used by other companies.

*Adjusted EBITDA

In the Company's financial reporting, adjusted EBITDA is a non-IFRS measure which is defined as gross profit less selling and administrative expenses, and corresponds to income before income taxes, depreciation and amortization, transaction costs, interest expense, change in fair value of liabilities and other income or expense. Management believes this is an important indicator as adjusted EBITDA excludes items that are either non-cash expenses, items that cannot be influenced by management in the short term, and items that do not impact core operating performance, demonstrating the Company's ability to generate liquidity through operating cash flow to fund working capital needs, service outstanding debt and fund future capital expenditures. Adjusted EBITDA is also used by investors and analysts for the purposes of valuing an issuer. The intent of adjusted EBITDA is to provide additional useful information to investors and analysts and is also used by management as an internal performance measurement. Adjusted EBITDA is not a recognized measure under IFRS, has no standardized meaning and is therefore unlikely to be comparable to similar measures used by other companies. Readers are cautioned that this term should not be construed as an alternative to net income determined in accordance with IFRS.

The following provides a reconciliation of adjusted EBITDA* to loss before income taxes:

	Three months ended June 30, (unaudited)		Six months ended June 30, (unaudited)	
	2016	2015	2016	2015
Income (loss) before income taxes	1,403	4,539	(3,380)	183
Impairment	3,838	-	3,838	-
Depreciation and amortization	2,979	3,200	5,858	6,285
Transaction costs	164	125	355	142
Interest expense	1,147	1,831	2,185	3,668
Change in fair value of liabilities	22	113	705	838
Other (income) expense	(430)	112	1,013	113
Adjusted EBITDA*	9,123	9,920	10,574	11,229

For more information, please contact:

Marc Lakmaaker
National Equicom
investors@pivotts.com
Tel: 416 848 1397

Kevin Shank
President
investors@pivotts.com

Andrew Bentley
Pivot Technology Solutions
andrew.bentley@pivotts.com
Tel: 647 788 2034