

## PIVOT TECHNOLOGY SOLUTIONS, INC. ANNOUNCES FIRST QUARTER 2020 RESULTS

### *AND DECLARES QUARTERLY DIVIDEND*

**Toronto, Ontario** (May 13, 2020) – Pivot Technology Solutions, Inc. (TSX: PTG), ("**Pivot**", "**Company**"), a full-service information technology provider, today announced financial results for the three months ended March 31, 2020. All figures are in Canadian dollars unless otherwise stated.

Prior to January 1, 2020, the Company reported its results in U.S. dollars. Effective January 1, 2020, Pivot's Board of Directors elected to change the Company's presentation currency from U.S. dollars to Canadian dollars. The change in presentation currency is to improve investors' ability to compare the Company's financial results with other Canadian publicly traded businesses.

### FIRST QUARTER OVERVIEW

- Adjusted EBITDA<sup>(1)</sup> increased 21.4% to \$5.4 million, compared to \$4.4 million in Q1 2019.
- Revenue was \$376.8 million, compared to \$389.9 million in Q1 2019.
- Pivot-provided services revenue grew 19.9%.
- Gross profit increased 7.0% to \$52.1 million, compared to \$48.7 million in Q1 2019.
- Gross profit margin was 13.8%, compared to 12.5% in Q1 2019.
- Net income attributable to shareholders was \$0.8 million, compared to a net loss of \$4.8 million in Q1 2019.
- Diluted earnings per share ("EPS") was \$0.02 in Q1 2020, compared to a loss of \$0.12 in Q1 2019.
- The company paid dividends of \$1.6 million during Q1.

<sup>1</sup> Non-GAAP Measure. See Non-GAAP Measures section of this news release.

"We are pleased with our performance in Q1, which is the strongest Adjusted EBITDA<sup>(1)</sup> the Company has ever reported in a first quarter. Adjusted EBITDA<sup>(1)</sup> grew 21.4% when compared to Q1 of 2019. Gross profit dollars and gross profit margin percent both grew in the period as well. In addition, we are encouraged to see Pivot-provided services deliver solid growth in the quarter. The 19.9% increase in Pivot-provided services was driven by a number of wins with a major U.S. customer," said Kevin Shank, CEO.

"We continue to focus on building our core products and services portfolio, while enhancing our services and solutions capabilities from the Edge to the Cloud. By executing our strategy, we have improved the efficiency of the business, lowered our Adjusted Debt<sup>(1)</sup> levels, and the trending results are a testament to the hard work of our team."

"Although it's difficult to predict long-term implications, Pivot has managed well through the impacts of COVID-19 thus far, with 93% of our employees working remotely and 7% being identified as essential workers. Our highly remote workforce, diverse customer base, and variable cost structure are helping us navigate effectively through this unprecedented environment," added Mr. Shank.

## **Q1 2020 BUSINESS AND OPERATING HIGHLIGHTS**

- Commencing January 1, 2020, the U.S. wholly-owned subsidiaries merged and began operating as a combined entity.
- The Normal Course Issuer Bid (“NCIB”) was utilized to repurchase 824,115 shares during the first quarter at a cost of \$1.4 million.
- The Company paid dividends of \$1.6 million during Q1 2020.

## **DIVIDEND**

On May 12, 2020, the Board declared a dividend of C\$0.04 per share payable on June 15, 2020 to common shareholders of record on May 29, 2020. This dividend has been designated as an “eligible dividend” for Canadian tax purposes.

## **FIRST QUARTER RESULTS SUMMARY**

First quarter 2020 revenue was \$376.8 million, a 3.3% decrease from the comparative period. This decrease was primarily attributable to lower product sales to major customers, partially offset by a favourable foreign exchange effect, increases in Pivot-provided and third-party services, and increased sales to non-major customers during the quarter. Sales to non-major customers increased by 9.7% in the period.

Product sales of \$327.5 million for Q1 2020 decreased 5.7% as compared to Q1 2019. The decline in product sales is primarily due to decreased sales to major customers.

Pivot-provided services of \$28.7 million for Q1 2020 increased by \$4.8 million or 19.9% as compared to Q1 2019. The improvement in Pivot-provided services is primarily due to additional contract wins with a major U.S. customer.

Third-party services of \$20.5 million for Q1 2020 increased by \$2.1 million or 13.7% as compared to Q1 2019. The increase in third-party services is primarily driven by the timing of certain contracts and renewals.

Gross profit of \$52.1 million for Q1 2020 increased by \$3.4 million or 7.0% as compared to the same period in the prior year. Gross profit margin was 13.8% in Q1 2020 as compared to 12.5% in Q1 2019. The improvement in gross profit for Q1 2020 is mainly driven by the change in the customer mix and services making up a larger portion of the Company’s revenue. During Q1 2020, the continued favourable shift in the customer mix resulted in less revenue being generated from major customers, partially offset by increased revenue from non-major customers. Since the gross profit margin from non-major customers is generally more favourable, Q1 2020 gross profit margins continued to benefit from this shift. The growth in services revenue also helped improve gross profit margins, as services generally have higher margins than product sales.

Selling, general and administrative expenses ("SG&A") of \$46.7 million for Q1 2020 increased \$2.4 million or 5.5% as compared to the same period in the prior year. There were a number of factors that impacted SG&A including: higher commissions and variable compensation associated with higher gross profit and Adjusted EBITDA<sup>(1)</sup>, increase due to the foreign exchange effect, costs associated with integrating the business, including training, travel and marketing costs as well as increased spend in growth areas of the business, partially offset by cost reductions due to the sale of the Smart Edge business in Q4 of 2019.

Adjusted EBITDA<sup>(1)</sup> was \$5.4 million in the first quarter, an increase of 21.4% over the prior period.

### **IMPACT OF COVID-19 ON OUTLOOK**

COVID-19 has affected industries in different ways. While some customers have been negatively impacted, others have seen an increase in demand. Independent of how a company is performing, governments around the world have required that non-essential offices be closed. As Pivot moves further into 2020, management has been able to delineate which operations and resources will remain in demand and which areas will be idle or less utilized. As a result, Pivot has taken specific actions associated with resources that have become idle and has furloughed a small percentage of employees through June 30, with the intention of bringing them back when the business returns to a more normal pace.

Outside of the COVID-19 situation, management's outlook is that some customers remain cautious in their approach to IT investments. This outlook is consistent with the Company's outlook for the past several quarters. In the future, if the pandemic were to cause prolonged disruption to the Company's supply chain or its services capabilities, it would have a negative impact on revenue, which could be material. In addition, any significant negative impact on revenue would impact profitability, as well as liquidity and capital resources.

Management is closely monitoring how COVID-19 is affecting Pivot's operations and is taking measures and precautions to help protect and inform its employees. In addition, the Company is monitoring trade discussions between the U.S. and China and the potential impact of tariffs; however, the long-term impact of these discussions has not yet been determined.

To date, the current conditions related to COVID-19 have not had a material impact on the Company's overall business, although as noted above, certain services that require direct access to customer locations will be impacted. The situation is dynamic and the impact of COVID-19 on the Company's future results of operation cannot be reasonably estimated at this time. Management continues to monitor and evaluate the situation and its impact on the Company's business.

The Company's outlook is contained in its Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2020, which is available at [www.pivotts.com](http://www.pivotts.com) and at [www.sedar.com](http://www.sedar.com).

## SELECTED FINANCIAL INFORMATION AND OPERATING RESULTS

| <i>(unaudited)</i><br><i>(in thousands of Canadian dollars, except per share amounts)</i>                                   | Three months ended March 31, |                                           |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------------------------------|
|                                                                                                                             | 2020                         | 2019                                      |
|                                                                                                                             |                              | <i>(re-presented in Canadian dollars)</i> |
| Revenue                                                                                                                     | 376,807                      | 389,861                                   |
| Cost of sales                                                                                                               | 324,717                      | 341,170                                   |
| <b>Gross profit</b>                                                                                                         | <b>52,090</b>                | 48,691                                    |
| Selling, general and administrative expenses                                                                                | 46,699                       | 44,251                                    |
| <b>Income before depreciation and amortization, finance expense, change in fair value of liabilities and other expenses</b> | <b>5,391</b>                 | 4,440                                     |
| Depreciation and amortization                                                                                               | 4,691                        | 4,995                                     |
| Finance expense                                                                                                             | 1,744                        | 2,216                                     |
| Change in fair value of liabilities                                                                                         | 9                            | 308                                       |
| Other expenses                                                                                                              | 447                          | 4,145                                     |
| <b>Loss before income taxes</b>                                                                                             | <b>(1,500)</b>               | (7,224)                                   |
| Income tax recovery                                                                                                         | (2,484)                      | (1,907)                                   |
| <b>Net income (loss) for the period</b>                                                                                     | <b>984</b>                   | (5,317)                                   |
| <b>Other comprehensive income (loss)</b>                                                                                    |                              |                                           |
| Items that may be reclassified subsequently to income (loss):                                                               |                              |                                           |
| Exchange gain (loss) on translation of foreign operations                                                                   | 1,167                        | (313)                                     |
| <b>Total comprehensive income (loss)</b>                                                                                    | <b>2,151</b>                 | (5,630)                                   |
| <b>Attributable to:</b>                                                                                                     |                              |                                           |
| Shareholders                                                                                                                | 1,964                        | (5,076)                                   |
| Non-controlling interest                                                                                                    | 187                          | (554)                                     |
| <b>Total comprehensive income (loss)</b>                                                                                    | <b>2,151</b>                 | (5,630)                                   |
| <b>Attributable to shareholders:</b>                                                                                        |                              |                                           |
| Earnings (loss) attributable to shareholders                                                                                | 797                          | (4,763)                                   |
| Earnings (loss) per common share                                                                                            |                              |                                           |
| Basic (\$)                                                                                                                  | \$0.02                       | (\$0.12)                                  |
| Diluted (\$)                                                                                                                | \$0.02                       | (\$0.12)                                  |

*Certain comparative information has been reclassified to conform to current year presentation.*

The following is a summary of selected consolidated financial information for the past eight quarters.

| <i>(in thousands of Canadian dollars<br/>except otherwise noted)</i> | <b>2020</b>                               | <b>2019</b>    |                 |                |                 | <b>2018</b>    |                 |                |
|----------------------------------------------------------------------|-------------------------------------------|----------------|-----------------|----------------|-----------------|----------------|-----------------|----------------|
|                                                                      | <b>Q1</b>                                 | <b>Q4</b>      | <b>Q3</b>       | <b>Q2</b>      | <b>Q1</b>       | <b>Q4</b>      | <b>Q3</b>       | <b>Q2</b>      |
|                                                                      | <i>(re-presented in Canadian dollars)</i> |                |                 |                |                 |                |                 |                |
| Revenue                                                              | <b>376,807</b>                            | <b>402,477</b> | <b>352,404</b>  | <b>459,902</b> | <b>389,861</b>  | <b>395,872</b> | <b>417,094</b>  | <b>489,589</b> |
| Gross profit                                                         | <b>52,090</b>                             | <b>56,646</b>  | <b>52,209</b>   | <b>60,105</b>  | <b>48,691</b>   | <b>56,063</b>  | <b>53,208</b>   | <b>52,425</b>  |
| Gross profit margin                                                  | <b>13.8%</b>                              | <b>14.1%</b>   | <b>14.8%</b>    | <b>13.1%</b>   | <b>12.5%</b>    | <b>14.2%</b>   | <b>12.8%</b>    | <b>10.7%</b>   |
| Adjusted EBITDA <sup>(1)</sup>                                       | <b>5,391</b>                              | <b>9,868</b>   | <b>8,319</b>    | <b>12,939</b>  | <b>4,440</b>    | <b>6,271</b>   | <b>5,424</b>    | <b>6,545</b>   |
| Adjusted EBITDA <sup>(1)</sup> margin                                | <b>1.4%</b>                               | <b>2.5%</b>    | <b>2.4%</b>     | <b>2.8%</b>    | <b>1.1%</b>     | <b>1.6%</b>    | <b>1.3%</b>     | <b>1.3%</b>    |
| Net income (loss)                                                    | <b>984</b>                                | <b>21,676</b>  | <b>502</b>      | <b>1,341</b>   | <b>(5,317)</b>  | <b>(33)</b>    | <b>(3,205)</b>  | <b>311</b>     |
| Net income (loss) attributable to shareholders                       | <b>797</b>                                | <b>21,574</b>  | <b>(412)</b>    | <b>2,133</b>   | <b>(4,763)</b>  | <b>571</b>     | <b>(3,639)</b>  | <b>243</b>     |
| Earnings (loss) per share attributable to shareholders:              |                                           |                |                 |                |                 |                |                 |                |
| Basic (\$)                                                           | <b>\$0.02</b>                             | <b>\$0.55</b>  | <b>(\$0.01)</b> | <b>\$0.05</b>  | <b>(\$0.12)</b> | <b>\$0.01</b>  | <b>(\$0.09)</b> | <b>\$0.01</b>  |
| Diluted (\$)                                                         | <b>\$0.02</b>                             | <b>\$0.54</b>  | <b>(\$0.01)</b> | <b>\$0.05</b>  | <b>(\$0.12)</b> | <b>\$0.01</b>  | <b>(\$0.09)</b> | <b>\$0.01</b>  |
| Cash dividends declared on common shares                             | <b>1,556</b>                              | <b>1,585</b>   | <b>1,586</b>    | <b>1,579</b>   | <b>1,579</b>    | <b>1,579</b>   | <b>1,579</b>    | <b>1,596</b>   |

*Certain comparative information has been reclassified to conform to current year presentation.*

The following is a reconciliation of “income (loss) before income taxes” to “Adjusted EBITDA<sup>(1)</sup>”.

| <i>(in thousands of Canadian dollars)</i> | <b>2020</b>                               | <b>2019</b>     |              |               |                | <b>2018</b>  |                |              |
|-------------------------------------------|-------------------------------------------|-----------------|--------------|---------------|----------------|--------------|----------------|--------------|
|                                           | <b>Q1</b>                                 | <b>Q4</b>       | <b>Q3</b>    | <b>Q2</b>     | <b>Q1</b>      | <b>Q4</b>    | <b>Q3</b>      | <b>Q2</b>    |
|                                           | <i>(re-presented in Canadian dollars)</i> |                 |              |               |                |              |                |              |
| <b>Income (loss) before income taxes</b>  | <b>(1,500)</b>                            | <b>29,622</b>   | <b>507</b>   | <b>4,540</b>  | <b>(7,224)</b> | <b>841</b>   | <b>(2,921)</b> | <b>889</b>   |
| Depreciation and amortization             | <b>4,691</b>                              | <b>4,576</b>    | <b>4,862</b> | <b>4,978</b>  | <b>4,995</b>   | <b>3,670</b> | <b>3,741</b>   | <b>3,695</b> |
| Finance expense                           | <b>1,744</b>                              | <b>1,841</b>    | <b>1,922</b> | <b>2,018</b>  | <b>2,216</b>   | <b>1,989</b> | <b>1,997</b>   | <b>2,283</b> |
| Change in fair value of liabilities       | <b>9</b>                                  | <b>725</b>      | <b>294</b>   | <b>279</b>    | <b>308</b>     | <b>301</b>   | <b>293</b>     | <b>201</b>   |
| Other expenses (income)                   | <b>447</b>                                | <b>(26,896)</b> | <b>734</b>   | <b>1,124</b>  | <b>4,145</b>   | <b>(530)</b> | <b>2,314</b>   | <b>(523)</b> |
| <b>Adjusted EBITDA<sup>(1)</sup></b>      | <b>5,391</b>                              | <b>9,868</b>    | <b>8,319</b> | <b>12,939</b> | <b>4,440</b>   | <b>6,271</b> | <b>5,424</b>   | <b>6,545</b> |

*Certain comparative information has been reclassified to conform to current year presentation.*

## Key metrics on consolidated debt

### Adjusted Debt<sup>(1)</sup>

| <i>(in thousands of Canadian dollars)</i> | March 31,<br>2020 | December 31,<br>2019 |
|-------------------------------------------|-------------------|----------------------|
| Current liabilities                       | 599,049           | 492,330              |
| Other financial liabilities – long-term   | 15,553            | 14,999               |
| Less: Lease obligations – total           | (19,667)          | (18,769)             |
| Less: Current assets                      | (516,997)         | (415,626)            |
| Adjusted debt                             | 77,938            | 72,934               |

Adjusted Debt<sup>(1)</sup> is a non-GAAP measure. This measure normalizes the impact of the changes in working capital. Management believes it is a more relevant indicator of the Company's debt position and is a more comparable metric with industry peers. The increase of Adjusted Debt<sup>(1)</sup> in 2020 was mainly due to foreign exchange; excluding the foreign exchange effect, Adjusted Debt<sup>(1)</sup> was \$72.0 million as at March 31, 2020.

Below are the key metrics of our consolidated debt as at March 31, 2020 and December 31, 2019.

|                                                                | March 31,<br>2020 | December 31,<br>2019 |
|----------------------------------------------------------------|-------------------|----------------------|
| Adjusted Debt <sup>(1)</sup> to Adjusted EBITDA <sup>(1)</sup> | 2.13              | 2.05                 |
| Net interest coverage <sup>(1)</sup>                           | 4.85              | 4.45                 |

<sup>(1)</sup>Net Interest Coverage" is defined as Adjusted EBITDA divided by finance expense on a trailing twelve-month basis.

The change in Adjusted Debt<sup>(1)</sup> to Adjusted EBITDA<sup>(1)</sup> at March 31, 2020 was due to foreign exchange; excluding the foreign exchange effect, Adjusted Debt<sup>(1)</sup> to Adjusted EBITDA<sup>(1)</sup> was 1.98 as at March 31, 2020, reflecting an improvement in this metric. The improvement in net interest coverage reflects the higher Adjusted EBITDA<sup>(1)</sup> and lower net finance expense as at March 31, 2020 on a trailing 12-month basis as compared to the same trailing 12-month period in the prior year.

## NON-GAAP MEASURES

The Company evaluates and measures its performance based on measures referred to as "Adjusted EBITDA", "Adjusted Debt", "Adjusted Debt to Adjusted EBITDA", and "Net Interest Coverage". These measures do not have any standardized meaning prescribed by GAAP and; therefore, may not be comparable to similar measures presented by other issuers. Such non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP such as net income (loss), cash flow, or other measures of financial performance and liquidity reported in accordance with GAAP. Detailed descriptions of these terms can be found in Pivot's disclosure documents, including its Management's Discussion and Analysis, filed with the securities regulatory authorities; these documents are available at [www.sedar.com](http://www.sedar.com) or on Pivot's website [www.pivotts.com](http://www.pivotts.com).

## **FIRST QUARTER CONFERENCE CALL**

At 8:30 a.m. Eastern Thursday, May 14, 2020, the Company will host a conference call featuring management's quarterly remarks and a follow-up question and answer period with analysts. The conference call can be accessed live by dialing (416) 764-8659 five minutes prior to the scheduled start time.

A telephone recording of the call will be available for one week (until midnight May 21, 2020) by dialing (416) 764-8677 and entering passcode 846207 followed by the number sign.

## **ABOUT PIVOT TECHNOLOGY SOLUTIONS**

Pivot is an industry-leading information technology services and solutions provider to many of the world's most successful companies, including members of the Fortune 1000, as well as governments and educational institutions. By leveraging its extensive original equipment manufacturer (OEM) partnerships and its own fulfillment, professional, deployment, workforce and managed services, Pivot supports the IT infrastructure needs of its clients. For more information, visit [www.pivotts.com](http://www.pivotts.com).

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## **FORWARD LOOKING STATEMENTS**

*Information in this release contain forward-looking statements, including statements concerning anticipated financial events, results, performance or expectations relating to the Company operations, financial condition, business strategy and the IT market in 2020 and the impact of the COVID-19 pandemic on the Company's results of operations. Forward-looking statements are based on assumptions of future events that the Company believes are reasonable based upon information currently available, and Pivot assumes no obligation to update or revise any forward-looking statement, except as required by applicable securities law. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, and actual results could vary significantly from those expressed or implied in these statements. Readers are cautioned that assumptions used in the preparation of such information may prove to be incorrect. Further information with respects to the risks and uncertainties can be found in the MD&A for the three months ended March 31, 2020 and the Annual Information Form for the year ended December 31, 2019, available at [www.sedar.com](http://www.sedar.com) and on Pivot's website at [www.pivotts.com](http://www.pivotts.com).*