

EMERGE Acquires WholesalePet.com, Profitable B2B Ecommerce Platform in U.S., Eclipses \$100M in Pro Forma Gross Merchandise Sales

- WholesalePet.com is EMERGE's 7th acquisition, and is expected to be immediately accretive to EBITDA⁽¹⁾
- WholesalePet.com generated Gross Merchandise Sales ("GMS")⁽¹⁾ of approximately US\$40 million, revenue of US\$3.7 million, and Adjusted EBITDA⁽¹⁾ of US\$2.8 million in the twelve months ended September 30, 2021 (all figures unaudited)
- Acquisition provides EMERGE with its first business-to-business ("B2B") marketplace, a highly strategic e-commerce technology platform for the pet industry, with a long-standing recurring merchant base, and veteran team who will continue in their roles
- With this acquisition, EMERGE eclipses \$100 million in pro forma GMS⁽¹⁾
- **EMERGE CEO to host virtual webcast on Tuesday, November 23, at 11:00am ET (Register Below)**

TORONTO, Nov. 16, 2021 /CNW/ - [EMERGE Commerce Ltd.](#) ("EMERGE" or the "Company") (TSXV: ECOM), a diversified acquirer and operator of e-commerce brands, announces that it has closed the acquisition of all the issued and outstanding shares of Retail Store Networks, Inc. (dba, "WholesalePet.com") (www.WholesalePet.com) effective November 16, 2021 (the "Transaction") for a purchase price of up to US\$25 million, comprised of US\$12 million in cash, US\$2 million in EMERGE common shares, US\$2 million in deferred consideration payable over 2 years, and contingent earn-out consideration of up to US\$9 million over a 2-year period.

WholesalePet.com is a leading technology-enabled B2B ecommerce marketplace, connecting over 8,000 independent retail locations with over 400 independent pet vendors, offering over 1 million SKUs. Founded in 2001, WholesalePet.com has facilitated over US\$250 million in GMS over the last 20 years with an average customer tenure of 10 years. WholesalePet.com operates an asset-light business model, carrying no inventory, and delivers a high return on assets with low profit volatility and high cash flow flexibility. The team has a combined 90 years of industry expertise.

"With the acquisition of WholesalePet.com, we have procured a profitable market leader in the lucrative B2B pet e-commerce space. With an impressive 20-year track record of steady organic revenue growth, profitability, and cash flows, WholesalePet.com will fit perfectly in the EMERGE ecosystem. The business has impeccable net revenue retention and requires minimal marketing spend, with a merchant network that is now 8,000+ strong," said EMERGE Founder and CEO, Ghassan Halazon. "This acquisition marks our first foray into both the sticky B2B e-commerce space, as well as the pets vertical, one of the fastest-growing segments in the e-commerce sector. We are thrilled to welcome Chris, Bo and the veteran WholesalePet.com team to the EMERGE family."

WholesalePet.com generated Gross Merchandise Sales⁽¹⁾ of approximately US\$40 million, revenue of US\$3.7 million, and Adjusted EBITDA⁽¹⁾ of US\$2.8 million in the twelve months ended September 30, 2021 (all figures unaudited), and is expected to be immediately accretive to EBITDA. The acquisition will see the founding team and brand remain in place.

"Partnering with great companies has been essential to WholesalePet.com's success since 2001, and we are confident EMERGE is the best partner to help propel us to the next level in the dynamic \$100B Pet Industry. Both teams are eager to accelerate current growth plans through EMERGE's e-

commerce expertise, data mining, sister-company synergies, and potential M&A opportunities. We also look forward to collaborating with EMERGE on new sources of value creation across our B2B marketplace, including launching new services and technologies," said WholesalePet.com CEO, Chris Avery.

The guaranteed consideration represents a multiple of approximately 5.71 times Adjusted EBITDA, based on WholesalePet.com's unaudited financial statements from the trailing twelve-month period ended September 30, 2021. The Transaction was funded with debt from EMERGE's refinanced credit facility.

The initial consideration payable by EMERGE in connection with the acquisition of WholesalePet.com consisted of the following:

- (i) US\$12 million paid in cash upon closing of the Transaction;
- (ii) US\$2 million common shares of EMERGE, resulting in the issuance of 3,680,882 common shares of EMERGE, subject to customary lock up provisions releasing over a period of 18 months;
- (iii) US\$2 million in deferred cash consideration, over a two-year period, and;
- (iv) A contingent earn-out of up to US\$9 million may be payable based on minimum growth targets achieved by WholesalePet.com over two years, following the closing of the Transaction, with up to US\$7 million in cash and US\$2 million in common shares of EMERGE (the "Earn-Out Shares"). All Earn-Out Shares will be subject to a 180 day lock up and subject to such other terms, as may be required by the TSXV. The Earn-Out Shares may be satisfied, at EMERGE's sole discretion, in either cash or the issuance of common shares of EMERGE (the "Common Shares") at the volume-weighted average trading price of the Common Shares.

The Transaction was an arm's length transaction that constituted an Expedited Acquisition in accordance with Policy 5.3 of the TSX Venture Exchange.

WholesalePet.com is headquartered in Richmond, Virginia. This is EMERGE's 7th acquisition in North America, and its third acquisition since becoming publicly listed on the TSX Venture Exchange under the symbol "ECOM" in December 2020.

"We are thrilled to complete this landmark acquisition, now eclipsing \$100M in pro-forma GMS, a feat few Canadian e-commerce companies have arrived at before us," commented Drew Green, EMERGE Chairman.

EMERGE's e-commerce portfolio now includes WholesalePet.com, trulocal.ca, BattlBox.com, UnderPar.com, JustGolfStuff.ca, CarinvoreClub.co, WagJag.com, and BeRightBack.ca.

INFOR Financial Inc. acted as the exclusive financial advisor to WholesalePet.com in connection with the Transaction.

EMERGE Webcast

EMERGE Founder and CEO, Ghassan Halazon, will be hosting a virtual corporate presentation on **Tuesday, November 23, at 11:00am ET** to discuss the WholeSalePet.com transaction, as well as the Company's progress and acquisition pipeline.

Webcast Details:

Link:

https://us06web.zoom.us/webinar/register/WN_ZRSKIRZcT_K7dv16H6g_dA

Webinar (Zoom) ID: 818 4532 8429

Passcode: 172013

⁽¹⁾ Non-GAAP Financial Measure. Refer to section "Non-GAAP Financial Measures" below for additional information.

About EMERGE

EMERGE is a diversified, rapidly growing acquirer and operator of e-commerce brands. Our network of subscription and marketplace e-commerce sites provide our members with access to pet

products, premium meat & groceries, outdoor gear, golf and other experiences. EMERGE was named one of the fastest growing companies in Canada by the Startup 50, and the Globe and Mail's 2020 Canada's Top Growing Companies.

To learn more, visit <https://www.emerge-commerce.com/>

About WholesalePet.com

WholesalePet.com is a leading, technology-enabled B2B e-commerce platform serving the high-growth U.S. independent retail pet channel. Founded in 2001, WholesalePet.com has facilitated over US\$250 million in GMS since inception. The company leverages a proprietary, customized platform and an asset-light / zero-inventory business model. WholesalePet.com serves a network of over 8,000 retail location and established partnerships with over 400 independent vendors. Competitively, the business succeeds through customized technology, pet-expert personnel, differentiated merchandise, service and relationships.

To learn more, visit <https://www.wholesalepet.com/>

Cautionary notice

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

Non-GAAP Measures

This press release makes reference to certain non-GAAP measures. These non-GAAP measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the financial information of the Company reported under IFRS. Gross Merchandise Sales ("GMS"), EBITDA and Adjusted EBITDA should not be construed as alternatives to revenue or net income/loss determined in accordance with IFRS. GMS, EBITDA and Adjusted EBITDA do not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers.

GMS as defined by management is the total dollar value of customer purchases of goods and services, excluding applicable taxes and net of discounts and refunds. Management believes GMS provides a useful measure for the dollar volume of e-commerce transactions made through our platforms and an indicator for our business performance.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA as defined by management means earnings before interest and financing costs, income taxes, depreciation and amortization, transaction costs, foreign exchange gains/losses, discontinued operations, unrealized gains/losses on contingent consideration and share-based compensation. Management believes that Adjusted EBITDA is a useful measure because it provides information about the operating and financial performance of EMERGE and its ability to generate ongoing operating cash flow to fund future working capital needs and fund future capital expenditures or acquisitions.

Notice regarding forward-looking statements

This press release may contain certain forward-looking information and statements ("forward-

looking information") within the meaning of applicable Canadian securities legislation, that are not based on historical fact, including without limitation statements containing the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "continue", "estimate", "forecasts" and other similar expressions. Readers are cautioned to not place undue reliance on forward-looking information. Actual results and developments may differ materially from those contemplated by these statements. The Company undertakes no obligation to comment on analyses, expectations or statements made by third-parties in respect of the Company, its securities, or financial or operating results (as applicable). Although the Company believes that the expectations reflected in forward-looking information in this press release are reasonable, such forward-looking information has been based on expectations, factors and assumptions concerning future events which may prove to be inaccurate and are subject to numerous risks and uncertainties, certain of which are beyond the Company's control, including the risk factors discussed in the Company's filing statement which are incorporated herein by reference and are available through SEDAR at www.sedar.com. The forward-looking information contained in this press release are expressly qualified by this cautionary statement and are made as of the date hereof. The Company disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.

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CNW 07:30e 16-NOV-21