

EMERGE Achieves 100% Revenue Growth in Q3 2022, 4th Consecutive Quarter of Positive Adjusted EBITDA

TORONTO, Nov. 29, 2022 /CNW/ - [EMERGE Commerce Ltd.](#) (TSXV: ECOM) ("**EMERGE**" or the "**Company**"), a diversified acquirer and operator of niche e-commerce brands, today announced results for the three and nine months ended September 30, 2022.

Q3 2022 Financial Highlights

- **Gross Merchandise Sales ("GMS")¹** grew to \$26.8 million in Q3 2022, an increase of 191% from \$9.2 million in Q3 2021, driven by the BattlBox Group and WholesalePet acquisitions completed during Q4 2021
- **Revenue** increased to \$12.1 million in Q3 2022, up 100% from \$6.1 million in Q3 2021
- Positive **Adjusted EBITDA¹** of \$0.8 million for Q3 2022, compared to a loss of (\$0.5) million in Q3 2021, marking the Company's 4th consecutive quarter of positive Adjusted EBITDA, and 10th out of the last 11 quarters
- Positive **Net Income** of \$1.8M for Q3 2022, compared to a net loss of (\$1.9M). The Q3 net profit is mainly attributable to forex and other gains, as well as a fair value change in contingent consideration
- **Cash on hand** at September 30, 2022 was \$4.0 million

Ghassan Halazon, Founder and CEO, EMERGE commented, "We are pleased with the portfolio's resilient performance during Q3, traditionally a seasonally challenging quarter for some of our key businesses. Overall, EMERGE drove 100% revenue growth, and generated positive Adjusted EBITDA¹ for the 10th time out of our last 11 quarters, in large contrast to the Adjusted EBITDA¹ loss generated in Q3 2021."

Events Subsequent to September 30, 2022:

1. Cost Optimization and Synergies Update

On October 17, 2022, the Company announced a cost optimization and synergies initiative with expected annual savings of approximately \$1 million, in an effort to enhance cash flow generation. The Company is pleased to share that the aforementioned initiatives have now largely been executed, with the Company continuing to review further potential savings currently, and into 2023.

2. Debt Update

On October 27, 2022, the Company amended its existing \$25 million credit facility providing an additional 12-month term, with a further 9-month extension option (for a term of up to 21 months total). The Company and the lender have agreed to reduce the debt facility from \$25 million to \$19 million over the next 12 months, inclusive of principal payments and amortization.

3. Convertible Debenture Offering

On November 24, 2022, the Company completed a financing of \$2,781,000 in convertible debentures units ("Debenture Units"). The convertible debentures mature 36 months from closing. Expected use of proceeds from the offering includes repayment of the Company's credit facility, as well as for working capital and general corporate purposes.

4. Contingent Consideration Update

With respect to contingent consideration, certain acquisitions at EMERGE were eligible for earnouts during 2022, conditional on meeting certain minimum revenue and EBITDA growth targets. The Company confirms that no earnouts have been achieved for 2022, with no contingent consideration payout expected for the 2022 fiscal year.

5. Black Friday

On November 28, the Company announced a new Black Friday record was achieved. In total, EMERGE's e-commerce brand portfolio combined to achieve GMS⁽¹⁾ of \$846K during this year's Black Friday (November 25, 2022), compared to \$723K during Black Friday 2021, representing year-over-year organic growth of 17%.

Outlook

With the persisting challenges in the macro climate, management's operational priority for the balance of the year and into 2023 remains to optimize profitability and cash flow. Although the Company continues to monitor a number of acquisition opportunities, its near-term focus will be on improving liquidity, driving organic growth, synergies and savings.

"We have recently taken multiple steps to strengthen our position heading into 2023. While there is more work to be done, we are pleased with the strong start to the holiday shopping season with a record Black Friday event and will remain focused on our goal of closing the year with strength," added **Mr. Halazon**.

Conference Call

Management will host a conference call on **Tuesday, November 29 at 8:30 am ET** to discuss its third quarter results. To access the conference call, please dial (416) 764-8650 or (888) 664-6383 and provide conference ID 79821992.

Alternatively, the conference call can be accessed online at: <https://app.webinar.net/dRv3g3E0o7a>

Selected Unaudited Financial Highlights

The tables below set out selected financial information and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and MD&A for the three and nine months ended September 30, 2022, which are available on SEDAR.

	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
	\$	\$	\$	\$
Gross Merchandise Sales ¹	26,792,905	9,200,599	84,986,759	32,036,057
Total revenue	12,110,465	6,059,079	42,947,141	19,969,301
Adjusted EBITDA ¹	755,902	(512,109)	2,898,775	(162,353)
Net (loss) income	1,766,687	(1,103,122)	(1,879,266)	(5,340,445)
Basic and diluted income (loss) per share	0.02	(0.01)	(0.02)	(0.06)

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

The following table highlights Adjusted EBITDA and a reconciliation of the Company's reported results to its adjusted measures:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	\$	\$	\$	\$
Net (loss) income	1,766,687	(1,103,122)	(1,879,266)	(5,340,445)
Add back:				
Finance costs	1,064,735	373,206	2,912,118	1,162,665
Income taxes	(463,439)	(357,932)	(271,468)	(332,571)
Amortization	1,847,140	768,043	5,467,165	2,303,459
EBITDA	4,215,123	(319,805)	6,228,549	(2,206,892)

Share-based compensation	85,108	128,973	312,007	1,445,733
Transaction cost	126,349	2,070	454,218	882,976
Foreign exchange and other losses (gains)	(1,867,218)	(66,727)	(2,346,321)	(104,447)
Fair value change in contingent consideration	(1,803,460)	(256,620)	(1,749,678)	(179,723)
Adjusted EBITDA	755,902	(512,109)	2,898,775	(162,353)

The following table highlights GMS and a reconciliation of the Company's reported results to its adjusted measures:

	Three months ended September 30, 2022 \$	Three months ended September 30, 2021 \$	Nine months ended September 30, 2022 \$	Nine months ended September 30, 2021 \$
Revenue	12,110,465	6,059,079	42,947,141	19,969,301
<i>Adjusted for:</i>				
Merchant costs deducted from net revenue	15,277,886	3,959,534	44,264,770	13,845,773
Sales added to deferred revenue and value of orders fulfilled not included in revenue	1,263,491	1,811,441	3,764,503	7,168,058
Deferred and other adjustments to revenue recognized	(1,672,988)	(2,500,912)	(5,550,143)	(8,512,021)
Advertising revenue	(185,949)	(128,543)	(439,512)	(435,054)
GMS	26,792,905	9,200,599	84,986,759	32,036,057

About EMERGE

EMERGE is a diversified acquirer and operator of profitable niche e-commerce brands. Our subscription and marketplace e-commerce properties provide our members with access to pet products, premium meat, outdoor gear, golf, and other curated experiences. Our portfolio houses various online destinations including WholesalePet.com, trulocal.ca, BattlBox.com, UnderPar.com, JustGolfStuff.ca, CarnivoreClub.co, WagJag.com, BeRightBack.ca, and Wanlow.com. EMERGE was named one of Canada's Top Growing Companies by the Globe and Mail in 2022 (and 2020), and one the fastest growing companies in Canada by the Startup 50 in 2020.

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

A reconciliation of the adjusted measures is included in the Company's management discussion & analysis for the three and nine months ended September 30, 2022 in the section "Non-GAAP Financial Measures" available through SEDAR at www.sedar.com.

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 MD&A and Annual Information Form 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.

On Behalf of the Board
Ghassan Halazon
Director, President and CEO

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CNW 07:00e 29-NOV-22