

EMERGE Reports First Quarter 2023 Results

- Q1 Revenue of \$7.0M compared to \$9.7M in Q1 2022. Revenue for Q1 2022 would have been \$7.7M when excluding revenue from US operations and trading that were eliminated in 2022
- Q1 Gross Margin improved to 51.4% compared to 42.4% in Q1 2022
- Q1 Adjusted EBITDA¹ of \$0.3M compared to \$0.5M in Q1 2023, marking the Company's 6th consecutive quarter of positive Adjusted EBITDA, and 12th out of the last 13 quarters
- Q1 Net Loss improved to \$2.1M compared to \$2.8M in Q1 2022
- Q1 Cash Flow from Operations increased to \$0.8M compared to negative \$1.3M in Q1 2022

TORONTO, May 29, 2023 /CNW/ - [EMERGE Commerce Ltd.](#) (TSXV: ECOM) ("**EMERGE**" or the "**Company**"), a diversified acquirer and operator of niche e-commerce brands, today announced results for its three months ended March 31, 2023. Copies of the interim financial statements and MD&A are available on the Company's profile on SEDAR at www.sedar.com.

This marks EMERGE's first financial report which classifies BattlBox as discontinued operations, with prior period results also restated to reflect the reclassification. The Company completed its sale of BattlBox in April 2023.

"As has generally been seen across the e-commerce sector, our Q1 revenue was down vs. Q1 2022, a quarter during which some of our brands benefited from 'stay-at-home' sales due to the Omicron variant prevalent at the time. Notwithstanding, our overall revenue remains significantly higher than pre-pandemic levels, with some of our brands showing reasonable organic growth. Notably, we are seeing strong double-digit growth in some of our discount-centric brands, which we believe are well suited for this weaker macro climate. We are especially pleased with our improvements in gross margin, net income, and positive cash from operations. We expect that the cost measures and gross margin initiatives that we have executed in recent quarters will continue to support a healthier bottom line," commented **Ghassan Halazon, Founder and CEO, EMERGE**.

Q1 2023 Financial Highlights

- **Q1 GMS¹** was \$21.0M compared to \$24.2M in Q1 2022. GMS for Q1 2022 would have been \$22.2M when excluding GMS from US operations and trading that were eliminated in 2022
- **Q1 Revenue** from continuing operations was \$7.0M versus \$9.7M in Q1 2022. Revenue for Q1 2022 would have been \$7.7M when excluding revenue from US operations and trading that were eliminated in 2022
- **Q1 Gross Margin** improved to 51.4% compared to 42.4% in Q1 2022
- **Q1 Adjusted EBITDA¹** of \$0.3M for 2023, compared to \$0.5M in 2022, marking the Company's 6th consecutive quarter of positive Adjusted EBITDA, and 12th out of the last 13 quarters
- **Q1 Cash Flow from Operations** increased to \$0.8M compared to negative \$1.3M in Q1 2022
- **Net Loss** of \$2.1M for Q1 2023 compared to net loss of \$2.8M in Q1 2022
- **Cash on hand** at March 31, 2023 was \$2.8 million

Events Subsequent to March 31, 2023

Sale of BattlBox

In March 2023, EMERGE entered into an agreement to sell its subsidiary BattlBox LLC ("BattlBox"). In April 2023, the sale was completed, with the Company receiving cash consideration of US\$6,008,666, and the buyer assuming an aggregate of US\$1,161,537 in deferred consideration liabilities. The Company no longer has any deferred payment obligations owed to former BattlBox shareholders.

EMERGE originally acquired BattlBox Group in October 2021, which included both the BattlBox and Carnivore Club brands. Carnivore Club is not included in the transaction, and will remain an EMERGE brand, working closely with truLOCAL, under the Meat/Grocery vertical.

Following the transaction, EMERGE retains 7 brands across 4 main verticals (Pets, Meat/Grocery, Golf and Experiences) in Canada and the U.S., namely **WholesalePet, truLOCAL, Carnivore Club, UnderPar, JustGolfStuff, WagJag and BeRightBack.**

Debt Update

In March and April 2023, the Company entered into an amendment of its credit facility with its existing lender (the "ARCA") pursuant to which, the Company repaid \$7,000,000 of its senior credit facility from the proceeds of the sale of BattlBox, with the lender agreeing to relax certain financial covenants to offer the Company additional flexibility. Interest expense savings from debt repayment are expected to be \$1M annually. The credit facility is currently at \$16.5M, down from \$25M in the prior year. The Company remains in good standing with its existing lender, which it has worked with since November 2019.

Cost Optimization and Gross Margin Initiatives

In late 2022 and early 2023, the Company announced savings and cost reductions, resulting in a combined annualized total of \$2M in anticipated savings. The Company continues to explore additional cost savings, with a focus on non-revenue impacting areas.

As part of overall efforts to drive additional cash flow, the initiative includes reducing overhead expenses, and maximizing cross-functional synergies amongst EMERGE HQ and portfolio brands.

The Company has also taken numerous steps to improve gross margin, including exiting low margin revenue streams such as truLOCAL's trading and US initiatives, and price increases through various measures, with gross margins improving in Q1 2023 to 51.4% compared to 42.4% in Q1 2022.

Top Priorities

The Company's top priorities in the near-term are to i) continue to pay down debt and reduce interest expense, ii) drive organic growth, iii) extract further operational efficiencies, and iv) enhance EBITDA to cash flow conversion.

Conference Call

Management will host a conference call on **Tuesday, May 30 at 8:30 am ET** to discuss its first quarter results. To access the conference call, please dial (416) 764-8650 or (888) 664-6383 and provide conference ID 41194865.

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

Selected Financial Highlights

The tables below set out selected financial information and should be read in conjunction with the Company's consolidated financial statements and MD&A for the three months ended March 31, 2023, which are available on SEDAR.

	Three months ended March 31,	
	2023	2022
	\$	\$
Gross Merchandise Sales ¹	20,973,817	24,246,578
Total revenue	7,024,246	9,708,132
Adjusted EBITDA ¹	315,429	484,709
Net (loss) from continuing operations	(2,114,892)	(2,919,248)
Net (loss)	(2,129,713)	(2,825,120)

Basic and diluted (loss) per share from continuing operations and total (0.02) (0.03)

Results from BattlBox have been reclassified to discontinued operations.

(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 March 31,	
	2023	2022
	\$	\$
Net (loss) income	(2,129,713)	(2,825,120)
<i>Add back:</i>		
Finance costs	1,059,299	900,201
Income taxes	(122,862)	(83,568)
Amortization	1,227,247	1,192,885
EBITDA	33,971	(815,602)
Share-based compensation	77,205	133,815
Transaction cost	146,515	184,712
Foreign exchange and other losses (gains)	42,917	452,564
Impairment of goodwill	-	623,348
Net loss (income) from discontinued operations	14,821	(94,128)
Adjusted EBITDA	315,429	484,709

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

	Three months ended March 31,	
	2023	2022
	\$	\$
Revenue	7,024,246	9,708,132
<i>Adjusted for:</i>		
Merchant costs deducted from net revenue	14,518,202	15,186,088
Sales added to deferred revenue and value of orders fulfilled not included in revenue	1,593,715	1,723,988
Deferred and other adjustments to revenue recognized	(1,928,954)	(2,243,612)
Advertising revenue	(233,392)	(128,018)
GMS	20,973,817	24,246,578

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, golf, and other curated experiences. EMERGE was named one of Canada's Top Growing Companies by Globe and Mail in 2022 (and 2020), and one of 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 months ended March 31, 2023 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, Prospectus Supplement and Annual Information Form 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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