

Ionik Acquires SHIFT44

Ionik's first party data acquisition capabilities expanded, financed with existing resources

TORONTO , November 20, 2023 /CNW/ - PopReach Corporation (dba Ionik) ("**Ionik**" or the "**Company**") (TSXV: INIK) (OTCQX: INIKF) announced that it has acquired substantially all of the assets of S44 LLC ("**SHIFT44**" or "**Seller**"), a first party data acquisition, lead generation and performance marketing platform headquartered in Holbrook, New York (the "**Transaction**") for a total aggregate purchase price of approximately US\$40.0 million, with the total consideration consisting of a combination of cash, debt and stock.

Founded in 2016 by Corey McCutchen and Joseph Barreca, SHIFT44 has grown to a team of 16 people working with 200+ clients across more than 40 different verticals. SHIFT44 has been named to the Inc. 5000 list for four consecutive years, including in 2023. SHIFT44 will continue to be led by Mr. McCutchen and Mr. Barreca, who will both become insiders of Ionik by virtue of being officers of the acquired business following closing of the Transaction ("**Closing**").

Key Transaction Benefits

- **Financial Profile:** SHIFT44 organically grew revenues at over 15% in its most recently completed fiscal year. The company generates consistent Adjusted EBITDA¹ and Adjusted Free Cash Flow¹ and operates at a financial scale that is a solid enhancement to Ionik's accelerating financial profile.
- **First Party Data Acquisition Platform:** SHIFT44's targeted performance marketing platform materially accelerates the growth of Ionik's first party data asset that is at the core of any performance marketing company's competitive advantage.
- **Synergistic Performance Marketing Technology:** SHIFT44's data acquisition and lead generation technologies and Ionik's user acquisition, traffic distribution and monetization technologies are highly synergistic with an extensive history of commercial integration. SHIFT44 and Ionik excel at user acquisition across different marketing channels. Combining these best-in-class capabilities and supporting technologies is expected to lead to reduced acquisition costs and increased traffic volumes across multiple user paths. Similarly, combining monetization solutions and technologies that leverage artificial intelligence and machine learning based optimization algorithms of both platforms is expected to drive higher revenue per user while delivering highly targeted customers and improved return on investment for advertisers. The anticipated results of these integrations are accelerated revenue growth and improvements to collective margins.

¹ Please refer to "Non-IFRS Measures" section of this press release

Management Commentary

"SHIFT44 has built an extensive first party data acquisition and performance marketing platform that synergistically binds with Ionik's previous acquisitions," said Ted Hastings, CEO of Ionik. "This is our fourth acquisition and extends the capabilities of our performance marketing platform. Specifically, SHIFT44 allows Ionik to directly source advertisers, and enables them to achieve their customer acquisition and brand building objectives at an efficient cost-per-click or cost-per-acquisition basis across all channels including search, social, native, push, email and SMS. In doing so, we amass first party data that is a key long-term strategic asset of Ionik."

Added Corey McCutchen, CEO and Co-Founder of SHIFT44, "This was a very calculated step in our journey, and after careful review of several strategic options we determined that our platform would meaningfully accelerate Ionik's growth with deal terms that allow us to participate in that value creation. We will be able to leverage Ionik's platform to better monetize our existing audience which we expect to result in a direct improvement to margins. That margin improvement will allow us to invest more in building our first party audience which we believe will accelerate organic growth."

Key Terms of the Transaction

Pursuant to the definitive transaction agreement (the "**Transaction Agreement**") entered into on November 20, 2023 among Ionik, SHIFT44, Inc. ("**Acquisition Subsidiary**"), a wholly owned subsidiary of Ionik, the Seller and certain principals of the Seller, Acquisition Subsidiary acquired substantially all of the assets of SHIFT44 for aggregate consideration of approximately US\$40.0 million, being comprised of US\$17.75 million in cash (the "**Cash Consideration**"), the issuance of 4,790 Class B non-voting shares of Acquisition Subsidiary (the "**Class B Shares**"), and the issuance of a convertible debenture in the aggregate principal amount of US\$16.75 million (the "**Debenture**"). The Purchaser is also assuming up to US\$1.0 million in current liabilities on SHIFT44's balance sheet.

The Class B Shares are exchangeable at the option of the Seller into common shares of the Company (the "**Ionik Shares**") at any time following Closing on the basis of 9,238 Ionik Shares for every 1 Class B Share, entitling the Seller to an aggregate of 44,250,020 Ionik Shares, with an approximate value of US\$5.5 million based on the November 20, 2023 closing price per Ionik Share of C\$0.17 (the "**Closing Price**") and a C\$:US\$ exchange rate of 1.3722. The Class B Shares do not entitle the Seller to vote on any matters in respect of Acquisition Subsidiary, other than as required pursuant to applicable law, nor do the Class B Shares entitle the Seller to any rights in respect of Ionik, voting or otherwise, until such time as the Class B Shares have been exchanged for Ionik Shares.

The Debenture is non-interest bearing, repayable on November 30, 2026 and convertible into Ionik Shares at the option of the Seller exercisable at any time prior to November 30, 2026 at US\$0.78 per Ionik Share, representing a premium to the Closing Price of approximately 630%. The Debenture is secured by a security interest granted to the Seller over the assets of Acquisition Subsidiary, being comprised of the acquired assets, and such security interest ranks subordinate to Ionik's senior lenders.

US\$0.25 million of the Cash Consideration will be held back on Closing and released on the one year anniversary of Closing, subject to reductions, if any, in connection with the Seller's obligations pursuant to the indemnification and net working capital adjustment provisions set forth in the Transaction Agreement. It is expected that Shift44 will have an excess in working capital of approximately US\$1.8 million, which excess will be paid out to the Seller in cash within 6 months following Closing.

The Seller and each of Mr. McCutchen and Mr. Barreca have, pursuant to the Transaction Agreement, agreed to customary standstill provisions for a period of at least two years following Closing. Furthermore, the Seller and each of Mr. McCutchen and Mr. Barreca have agreed to certain restrictions against the transfer of the Class B Shares and any Ionik Shares issued in connection with the exchange of such Class B Shares or pursuant to the Debenture (collectively, the "**Locked-Up Shares**"), over a three year period, with 1/3rd of such Locked-Up Shares being released from restrictions every 12 months commencing on the one year anniversary of Closing.

The Bank of Montreal, as the sole arranger, sole bookrunner and administrative agent, and National Bank of Canada, Export Development Canada and Toronto Dominion Bank, as syndicate lenders, under Ionik's US\$115 million syndicated credit facility previously announced on May 25, 2023 (the "**Syndicate Credit Facility**"), have

shown their support for the Transaction by approving an advance under the Syndicate Credit Facility's Delayed Draw Term Loans to fund the full amount of the Cash Consideration payable in connection with the Transaction.

Given capital market conditions, Ionik has chosen to forgo raising capital in the public markets and instead has sourced the Cash Consideration from its existing Syndicate Credit Facility, issued Class B Shares (exchangeable for Ionik Shares as outlined above) to the Seller, and issued the Debenture with no interest, a conversion price fixed at a premium to the Closing Price and a maturity date that allows for Ionik to realize on planned synergies and cash generation from this Transaction prior to repayment.

The Transaction has been conditionally approved by the TSX Venture Exchange (the "**Exchange**"), subject to customary conditions, and remains subject to final acceptance by the Exchange.

Non-IFRS Measures

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). However, the Company considers certain non-IFRS financial measures as useful additional information to assess its financial performance. These measures, which it believes are widely used by investors, securities analysts and other interested parties to evaluate its performance, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-IFRS measures include "Adjusted EBITDA" and "Adjusted Free Cash Flow".

Adjusted EBITDA and Adjusted Free Cash Flow

Consolidated adjusted earnings before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**") is a non-IFRS measure of financial performance. The presentation of this non-IFRS financial measure is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS and may be different from non-IFRS financial measures used by other companies. Company management defines Adjusted EBITDA as IFRS Net income (loss) adding back finance costs, income taxes, depreciation amortization, gain/loss on disposal of assets and extinguishment of loans, fair value gain/loss on financial liabilities and contingent consideration, and excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments, foreign exchange gains/losses, changes in deferred revenues, changes in deferred cost of sales, and other extraordinary one-time expenses.

Company management defines "**Adjusted Free Cash Flow**" as Adjusted EBITDA less capital expenditures, such as acquisition of property and equipment and additions to intangibles, and income taxes paid during the applicable period.

Management believes Adjusted EBITDA and Adjusted Free Cash Flow are a useful financial metrics to assess operating performance on a cash basis before the impact of non-cash and extraordinary one-time items.

About SHIFT44

SHIFT44 is a data-driven marketing services company, which helps companies acquire customers by utilizing its proprietary digital technology and expansive consumer audience. SHIFT44 provides meaningful content that captures audiences at scale and connects advertisers with consumers on a performance-based marketing model. SHIFT44 works with large consumer brands, advertising agencies, and growth minded marketers across a variety of different industries and verticals.

About Ionik

Ionik, a Tier 1 Issuer on the TSX Venture Exchange, with shares also trading on OTCQX® Best Market, is a performance marketing technology company focused on assembling the most effective and complete suite of advertising, marketing and monetization solutions for brands, advertisers and publishers. We acquire, optimize and scale market-leading digital technology businesses providing cross-platform, performance-driven advertising and data solutions to attract, engage and monetize high-value consumers. Ionik is a registered business name of PopReach Corporation and is the name under which the Company currently operates its business.

Additional information about the Company is available at www.sedar.com.

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Cautionary Statement Regarding Forward-Looking Information

Certain information in this news release constitutes forward-looking statements and forward-looking information under applicable Canadian securities legislation (collectively, "forward-looking information"). Forward-looking information includes, but is not limited to, statements with respect to the business, financials and operations of the Company and is often identified by the words "may", "would", "could", "should", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" or similar expressions. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Forward looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by the Company as of the date of this news release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements and future events to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in greater detail in the public documents of the Company available at www.sedar.com. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Investors are cautioned that undue reliance should not be placed on any such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Company. The Company does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.