



Pivotree Announces Fourth Quarter and Year End 2022 Results

Revenue growth of 18% for the fourth quarter, record bookings, while producing positive net income and \$1.3M adjusted EBITDA

TORONTO, March 29, 2023 – Pivotree Inc. (TSXV:PVT) (“**Pivotree**” or the “**Company**”), a leader in frictionless commerce solutions, today reported financial results for the three and twelve month periods ended December 31, 2022. All amounts are expressed in Canadian dollars unless otherwise stated.

“We entered 2022 with two new teams that needed to be integrated and reorganized into business units, and the results have been transformational. Against a challenging economic backdrop, the team has delivered steady revenue growth and record bookings in four of our past five quarters,” said Bill Di Nardo, CEO of Pivotree. “We also set a goal to exit the year in a position to run the business more profitably, and we accomplished this without impacting our organic growth prospects. Our business has proven resilient over the past year and while our clients are exhibiting caution, we remain cautiously optimistic entering 2023 with a strong backlog of bookings and the highest qualified sales pipeline in our history.”

Letter to Shareholders

Pivotree also announced today that it has released a letter to shareholders from Bill Di Nardo, CEO. The letter can be accessed from the Company’s website at investor.pivotree.com and filed on SEDAR at www.sedar.com.

Fourth Quarter 2022 Financial Highlights

(All figures are in Canadian dollars and all comparisons are relative to the three-month period ended December 31, 2022 unless otherwise stated):

- Total Revenue of \$26.2 million, an increase of 18.0% or 10.8% in constant currency. Adjusted for the estimated revenue from acquisitions, organic growth would be 9.9%¹.
- Managed Services Revenue of \$11.1 million, an increase of 12.7%, or 5.7% in constant currency, driven by positive contributions from Data Management and Supply Chain.
- Professional Services Revenue of \$15.0 million, an increase of 22.2% or 14.9% in constant currency, driven by organic growth in Data Management and Supply Chain and the contributions from the acquisition of Codifyd. Adjusted for the estimated revenue from acquisitions, organic growth would be 7.6%.
- Annual Recurring Revenue^{2,3} as at December 31, 2022 of \$48.8 million, an increase of \$4.1 million or 9.2%. The increase was primarily related to the expansion of Data Management professional service customers to recurring services as well as upselling recurring services within existing customers.
- Second consecutive quarter of record Total Bookings^{2,3} of \$21.3 million, an increase of \$14.6 million or 214.9%. The current quarter bookings were primarily driven by the expansion of non-recurring revenue within our existing customers and included the addition of new customers. Data management services continue to play a strong part in the overall booking performance.

- Gross profit of \$12.4 million, an increase of 27.0% and representing 47.3% of total revenue compared to \$9.8 million or 44.0% of revenue for the prior year period.
- Net income of \$1.5 million compared to a net loss of \$2.9 million for the prior year period. Fourth quarter results included a \$1.8M favourable year to date tax accrual adjustment to reflect cost allocation in alignment to company's transfer pricing requirements.
- Adjusted EBITDA² of \$1.3 million compared to break even adjusted EBITDA for the prior year period.
- Adjusted Free Cash Flow² of \$0.7 million compared to adjusted free cash flow of (\$0.6) million for the prior year period.

¹ Organic growth shared within is not a standardized financial measure and might not be comparable to measures disclosed by other issuers.

² Please refer to "Key Performance Indicators" section of this press release.

³ Please refer to "Non-IFRS Measures and Reconciliation of Non-IFRS Measures" section of this press release.

2022 Financial Highlights

- Total Revenue of \$101.7 million, an increase of 50.6%.
- Managed Services Revenue of \$41.2 million, an increase of 10.7%.
- Professional Services Revenue of \$60.5 million, an increase of 99.4%.
- Record Total Bookings^{1,2} of \$73.4 million, an increase of 66.1%.
- Gross profit of \$45.7 million, an increase of 53.1%, and representing 45.0% of total revenue.
- Net loss of \$9.1 million compared to a net loss of \$11.6 million for 2021.
- Adjusted EBITDA² of \$1.0 million compared to adjusted EBITDA of (\$3.5) million for 2021.
- Adjusted Free Cash Flow² of (\$1.5) million compared to (\$6.0) million for 2021.

Fourth Quarter 2022 Business Highlights

- Record bookings performance driven by several large multi-quarter enterprise deals providing increased revenue visibility for the remainder of 2022
- Commerce and Data Management successfully secured a multi-quarter new logo agreement with a prominent homeware retailer. This noteworthy accomplishment highlights the strategic benefits of Pivotree's cross-business unit sales approach, which enables us to deliver value to our clients.
- Commerce closed a new logo Vtex deal with a reputable health products company. This deal is indicative of our customers' increasing focus on adopting next-generation commerce platforms. Furthermore, in Q4, we observed sustained renewal and expansion bookings on Oracle and SAP platforms, demonstrating our customers' continued investment in their digital environments.
- In addition to the cross-business unit new logo, Data Management made progress in expanding its customer base by securing new logo contracts with several notable companies, including a healthcare supplies distributor, a restaurant supply company, an industrial supplier, and a home décor retailer. Additionally, we observed strong renewal and expansion bookings in Stibo and Informatica.
- Supply Chain continued to expand customer relationships signing extensions with a global medical device company, classroom supplies company, animal health company, grocery chain, and a cosmetics retailer.

Fourth Quarter 2022 Results

Selected Financial Measures

	Three months ended December 31,				Twelve months ended December 31,			
	2022	2021	Change	Change	2022	2021	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Managed Services.....	11,143,928	9,885,399	1,258,529	12.7%	41,187,568	37,206,031	3,981,536	10.7%
Professional Services	15,019,104	12,295,573	2,723,531	22.2%	60,505,910	30,338,264	30,167,646	99.4%
Total Revenue	26,163,032	22,180,972	3,982,060	18.0%	101,693,478	67,544,295	34,149,182	50.6%

Key Performance Indicators

	Three Months Ending December 31		YoY Change		Twelve Months Ending December 31		YoY Change	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Total ARR (1)	48,786,824	44,688,720	4,098,104	9.2%	N/A	N/A	N/A	N/A
YTD ARR Bookings	872,727	3,556,867	-2,684,140	-75.5%	4,321,354	8,707,208	-4,385,854	-50.4%
YTD Non-Recurring Bookings	20,457,472	12,854,092	7,603,380	59.2%	69,050,148	35,478,500	33,571,648	94.6%
YTD Total Bookings	21,330,199	6,773,121	14,557,078	214.9%	73,371,502	44,185,708	29,185,794	66.1%
Net Revenue Retention Rate in Constant Currency (1)	98.8%	95.1%	3.7%	N/A	N/A	N/A	N/A	N/A

Note:

(1) Point-in-time metrics for current quarter only

Non-IFRS Metrics

	Three months ended December 31,		Twelve months ended December 30,	
	2022	2021	2022	2021
Adjusted EBITDA	1,310,703	2,574	1,000,367	(3,543,013)
Adjusted Free Cash Flow	713,102	(611,294)	(1,535,882)	(6,009,906)

Conference Call

Management will host a live Zoom Video Webinar on Wednesday, March 29, 2023 at 8:30 am ET to discuss these fourth quarter and year end 2022 results. The webinar can be accessed through the following registration link:

https://pivotree.zoom.us/webinar/register/WN_XRCcuW0WS8SQAPSY8d5SdQ.

A replay will be available approximately two hours after the conclusion of the live event.

Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for the three and twelve months ended December 31, 2022 and 2021.

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Revenue	26,163,032	22,180,972	101,693,478	67,544,295
Cost of revenue.....	13,783,681	12,429,850	55,964,500	37,668,828
Gross profit.....	12,379,351	9,751,122	45,728,978	29,875,467
Operating expenses				
General & administration	3,860,358	2,847,336	15,481,120	8,992,570
Research & development	735,123	473,884	4,202,619	1,919,320
Information technology	3,882,543	4,372,223	15,643,150	16,266,633
Sales & marketing	2,590,421	2,462,787	9,997,599	6,760,706
Amortization & depreciation	1,366,335	2,147,809	8,621,237	5,493,851
Stock based compensation	127,046	240,849	925,878	1,117,656
Interest	116,718	191,636	349,071	421,710
Foreign Exchange	203	(344,789)	(531,183)	(312,111)
Restructure & other	73,320	88,006	1,402,956	1,150,703
	12,752,066	12,479,740	56,092,447	41,811,038
Income before other items.....	(372,715)	(2,728,618)	(10,363,469)	(11,935,571)
Other items (expenses)	(2)	-	-	-
Interest income.....	-	62,893	64,694	208,639
Operating loss	(372,717)	(2,665,725)	(10,298,775)	(11,726,933)
Current taxes.....	1,073,962	(834,256)	(525,437)	(813,339)
Deferred taxes.....	761,214	628,850	1,737,691	947,623
Net income (loss).....	1,462,459	(2,871,131)	(9,086,521)	(11,592,649)
Other comprehensive income (loss)				
Foreign translation adjustment.....	1,971,814	(58,907)	2,582,362	280,083
Comprehensive income (loss).....	3,434,273	(2,930,038)	(6,504,159)	(11,312,566)
Income (Loss) per share - basic	0.05	(0.11)	(0.35)	(0.47)
Weighted average number of common shares outstanding - basic.....	26,600,896	25,139,472	26,180,606	24,900,192

Cash Flows

The following table presents cash and cash equivalents as at December 31, 2022 and 2021:

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Cash and cash equivalents, beginning of period ...	13,844,455	40,755,642	24,570,286	53,942,263
Net cash provided by (used in):	-	-	-	-
Operating activities.....	3,914,308	(524,655)	(1,689,094)	(8,164,954)
Investing activities.....	45,208	(15,430,130)	(4,852,809)	(20,327,974)
Financing activities.....	(457,944)	(230,571)	(682,356)	(879,048)
Effect of foreign exchange on cash and cash equivalents	-	-	-	-
Net increase (decrease) in cash and cash	3,501,572	(16,185,356)	(7,224,258)	(29,371,977)
Cash and cash equivalents, end of period	17,346,028	24,570,286	17,346,028	24,570,286

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

This press release makes reference to certain non-IFRS measures including key performance indicators used by management and typically used by our competitors in the technology industry. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore not necessarily comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS measures and technology metrics are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures, including technology industry metrics, in the evaluation of companies in the technology industry. Management also uses non-IFRS measures and technology industry metrics in order to facilitate operating performance comparisons from period to period, the preparation of annual operating budgets and forecasts and to determine components of executive compensation. The non-IFRS measures and technology industry metrics referred to in this press release include, "Recurring and Non-Recurring Revenue", "Adjusted EBITDA" and "Free Cash Flow".

Adjusted EBITDA

Adjusted EBITDA is used by management as a supplemental measure to review and assess operating performance and provide a more complete understanding of factors and trends affecting our business. Management believes that Adjusted EBITDA is a useful measure of operating performance and our ability to generate cash-based earnings, as it provides a relevant picture of operating results by excluding the effects of financing and investing activities which removes the effects of interest, depreciation and

amortization expenses as non-cash items that are not reflective of our underlying business performance, and other one-time or non-recurring expenses. The Company defines Adjusted EBITDA as net income (loss) excluding taxes, interest and finance costs, amortization and depreciation, restructuring and other, and share based compensation. Management believes that these adjustments are appropriate in making Adjusted EBITDA an approximation of cash-based earnings from operations before capital replacement, financing, and income tax charges. Adjusted EBITDA does not have a standardized meaning under IFRS and is not a measure of operating income, operating performance or liquidity presented in accordance with IFRS and is subject to important limitations. The Company's definition of Adjusted EBITDA may be different than similarly titled measures used by other companies.

The following table reconciles Adjusted EBITDA to net loss for the periods indicated:

	Three months ended December 31, 2022		Twelve months ended December 31, 2022	
	2022	2021	2022	2021
Net Income (loss)	1,462,459	(2,871,131)	(9,086,521)	(11,592,649)
Depreciation & Amortization (1)	1,366,335	2,147,809	8,621,237	5,493,851
Interest (2)	116,718	191,636	349,071	421,710
Taxes	(1,835,176)	205,406	(1,212,254)	(134,284)
EBITDA	1,110,336	(326,281)	(1,328,467)	(5,811,372)
Stock-Based Compensation (3)	127,046	240,849	925,878	1,117,656
Restructuring & Other (4)	73,320	88,006	1,402,956	1,150,703
Adjusted EBITDA	1,310,703	2,574	1,000,367	(3,543,013)

Notes:

- (1) Depreciation and amortization expense is primarily related to depreciation expense on right-of-use assets ("ROU assets"), intangibles and property and equipment.
- (2) Interest expenses are primarily related to interest and accretion expense on the secured debentures and convertible promissory notes. Included within is also the interest incurred on lease obligations.
- (3) Stock-Based Compensation represent non-cash expenditures recognized in connection with the issuance of share-based compensation to our employees, advisors, and directors.
- (4) Restructuring & Other expenses are related to restructuring, merger and acquisitions and extraordinary events that are not considered an expense indicative of continuing operations.

Adjusted Free Cash Flow

Adjusted Free Cash Flow is defined as adjusted EBITDA from operations less payments to property and equipment, deferred development costs and principal lease payments. The following table provides a proxy of cash flow from the business:

Adjusted Free Cash Flow

	Three months ended December 31,		Twelve months ended December 31,	
	2022	2021	2022	2021
Adjusted EBITDA	1,310,703	2,574	1,000,367	(3,543,013)
Cash Financed Capital Expenditure	(176,634)	(136,972)	(705,657)	(571,388)
Payment of Capital Leases	(285,118)	(354,757)	(1,345,159)	(1,418,867)
Deferred Development	(19,131)	69,496	(136,363)	(54,928)
Interest Expense	(116,718)	(191,636)	(349,071)	(421,710)
Adjusted Free Cash Flow	713,102	(611,294)	(1,535,882)	(6,009,906)

Key Performance Indicators

Due to our service model, we recognize revenue within managed and professional services based on the recurring nature of the work and the actual effort extended. Both managed and professional services carry a recurring component where we recognize revenues based on the contractual committed fees with contract terms being one to three years, providing for a high degree of visibility into near-term revenues.

Management uses a number of metrics, including the ones identified below, to measure the Company's performance and customer trends, which are used to prepare financial plans and shape future strategy. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

- *Annual Recurring Revenue (ARR)*. We define Annual Recurring Revenue as the annualized equivalent value of the most recent quarter's recurring revenue of all existing managed services and professional services contracts that contain a minimum committed spend with total ARR being inclusive of related overage fees and customer credits as at the date being measured, and excluding any non-recurring set up fees and short-term standalone projects. The revenues captured are related to customer contracts that generally span a one to three-year contract term with most of the managed services being non-cancelable. Almost all of our customer contracts, contributing to ARR, automatically renew unless cancelled by our customers. Our calculation of ARR assumes that customers will renew the contractual commitments on a periodic basis as those commitments come up for renewal. Actual ARR versus new ARR Bookings would be expected to increase with the related overage charges and through the upsell of additional services across our categories. ARR provides us with visibility for consistent and predictable growth to our cash flows. ARR will continue to be a key performance indicator for the Company on a go-forward basis. See "Non-IFRS Measures and Reconciliation of Non-IFRS Measures - Recurring and Non-Recurring Revenue" for the recurring revenue in the most recent quarter to support ARR.
- *ARR Bookings*. This is defined as the new contractual bookings with existing and new customers for services that include minimum committed levels that automatically renew and generally span a one to three-year contract term. This amount does not include any projects, set up fees or overages charges. The ARR Bookings conversion to revenue, and ARR, will depend on the time it takes to deploy a given purchased service, which is driven by the complexity of the solution. The actual impact on revenue and ARR could vary from actuals once overage charges are captured. The revenue conversion may also be impacted as booking will capture amendments in existing services that convert on demand services to longer term agreements with minimum commitments. It is important to note that while this is an indicator of revenue and future potential revenue, it cannot be reconciled to actual revenue recognized.
- *Non-Recurring Bookings*: This is defined as contractual bookings with existing and new customers primarily for professional services projects but would also include one-time managed service set up fees, and short-term managed services arrangements. The conversion to non-recurring revenue, will depend on the start date and ramp up with revenue being recognized through the duration of the projects, as the defined scope is delivered. The bookings amount may differ from actual revenues where the fees are based on a time and material structure.
- *Total Bookings*: This is defined as ARR booking plus the contract value of the Non- Recurring Bookings
- *Net Revenue Retention Rate in Constant Currency*: We define Net Revenue Retention Rate in constant currency for a period by considering the group of customers on our platform as of twelve months prior and dividing our ARR attributable to such group of customers at the end of the period by the ARR at the beginning of such period. By implication, this ratio excludes any ARR from new customers acquired during the period, but it does include incremental sales added to the cohort base of customers during the period being measured. The benefits of cross selling and

expanding our level of integrations and support is realized when we can achieve high Net Revenue Retention Rates. We reach constant currency for the reported period by applying the average foreign exchange of the comparable period from twelve months prior to translate the reported period results.

Annual Recurring Revenue, Bookings and Net Revenue Retention Rate for the three and twelve months ended December 31, 2022 are as follows:

	Three Months Ending December 31		YoY Change		Twelve Months Ending December 31		YoY Change	
	2022	2021	Change	% Change	2022	2021	Change	% Change
Total ARR (1)	48,786,824	44,688,720	4,098,104	9.2%	N/A	N/A	N/A	N/A
YTD ARR Bookings	872,727	3,556,867	-2,684,140	-75.5%	4,321,354	8,707,208	-4,385,854	-50.4%
YTD Non-Recurring Bookings	20,457,472	12,854,092	7,603,380	59.2%	69,050,148	35,478,500	33,571,648	94.6%
YTD Total Bookings	21,330,199	6,773,121	14,557,078	214.9%	73,371,502	44,185,708	29,185,794	66.1%
Net Revenue Retention Rate in Constant Currency (1)	98.8%	95.1%	3.7%	N/A	N/A	N/A	N/A	N/A

Note:

(1) Point-in-time metrics for current quarter only

Forward-looking information

This press release contains "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking information**") within the meaning of applicable securities laws. Forward-looking information may relate to the Company's future financial outlook and anticipated events or results and may include information regarding the Company's financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding the Company's expectations of future results, performance, achievements, prospects or opportunities or the markets in which the Company operates is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "targets", "expects", "budgets", "scheduled", "estimates", "outlook", "forecasts", "projects", "prospects", "strategy", "intends", "anticipates", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might", or "will" occur. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances. The forward-looking information contained herein includes, but is not limited to, proposed expansion of the Company's market position and potential acquisitions.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that, while considered by the Company to be appropriate and reasonable as of the date of this press 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 to be materially different from those expressed or implied by such forward-looking information, including but not limited to, risks and uncertainties associated with market conditions and the satisfaction of all applicable regulatory

requirements, as well as risks and uncertainties associated with the Company's business and finances in general.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in forward-looking information. The opinions, estimates or assumptions referred to above and the risk factors described in the "Risk Factors" section of the prospectus of the Company dated October 23, 2020 should be considered carefully.

Although the Company has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to the Company or that the Company presently believes is not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. Forward-looking information contained in this press release represents the Company's expectations as of the date of this press release (or as of the date they are otherwise stated to be made), and are subject to change after such date. The Company disclaims any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

About Pivotree

Pivotree, a leader in frictionless commerce, designs, builds and manages digital platforms in Commerce, Data Management, and Supply Chain for over 250 major retail and branded manufacturers globally. Pivotree's portfolio of digital solutions, managed and professional services help provide retailers with true end-to-end solutions to manage complex digital commerce platforms, along with ongoing support from strategic planning through platform selection, deployment, and hosting, to data and supply chain management. Headquartered in Toronto, Canada with offices and customers in the Americas, EMEA, and APAC, Pivotree is widely recognized as a high-growth company and industry leader. For more information, visit www.pivotree.com.

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

For further information, please contact:

Dennis Fong, Investor Relations
dennis.fong@loderockadvisors.com
(416) 283-9930

Mo Ashoor, Chief Financial Officer
investor@pivotree.com
(416) 938-8084