



Pivotree Announces Second Quarter and 2023 Results

Focus on operating improvements maintain positive Adjusted EBITDA while investments in products drive ARR pipeline growth

TORONTO, August 11, 2023 – Pivotree Inc. (TSXV:PVT) (“**Pivotree**” or the “**Company**”), a leader in frictionless commerce solutions, today reported financial results for the three and six month period ended June 30, 2023. All amounts are expressed in Canadian dollars unless otherwise stated.

“We are encouraged by the momentum we’re seeing in products through the leading indicators of pipeline growth and year to date ARR bookings, which grew 17% year-over-year and more than 100% over the last quarter. At the same time, we are highly focused and committed to delivering profitability and have executed on additional restructuring activities in the second quarter that will keep us on the path of sustained positive Adjusted EBITDA as we exit the year” said Bill Di Nardo, CEO of Pivotree. “While professional services activity during the second quarter was impacted by the macroeconomic headwinds we previously articulated, we continue to support our clients in a consistent manner through their digital transformations as managed services has shown steady progress by growing in each of the last six quarters.”

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.

Second Quarter 2023 Financial Highlights

(All figures are in Canadian dollars and all comparisons are relative to the three-month period ended June 30, 2022 unless otherwise stated):

- Total Revenue of \$22.7 million, a decrease of 14.2% or a decrease of 18.0% in constant currency.
- Managed Services Revenue of \$10.7 million, an increase of 7.2%, or 2.4% in constant currency. The year-over-year growth was primarily the result of a shift of customer revenue from professional services to managed services, upsell on existing customers and addition of new customers to offset declines in Oracle revenue.
- Professional Services Revenue of \$12.0 million, a decrease of 27.1% or 30.4% in constant currency. The year-over-year decline was primarily due to a shift of customer revenue from professional services to managed services, conclusion of project timelines, and delayed close of current pipeline deals, offset partially by the addition of new customers.
- Annual Recurring Revenue^{1,2} as at June 30, 2023 of \$42.6 million, an increase of \$0.2 million or 0.5%. This increase was related primarily to the growth of Data Management and Supply Chain recurring services as well as upsell within existing customers.
- ARR Bookings^{1,2} of \$1.9 million, an increase of \$0.3 million or 17.1% year over year.
- Total Bookings^{1,2} of \$11.6 million, a decrease of \$2.6 million or 18.2% year over year.
- Gross profit of \$10.3 million, a decrease of 13.2% and representing 45.5% of total revenue compared to \$11.9 million or 45.0% of revenue for the prior year period.

- Net loss of \$2.6 million compared to a net loss of \$3.7 million for the prior year period. Included in the second quarter 2023 net loss is \$0.8 million in restructuring charges that will contribute to future cost savings.
- Adjusted EBITDA¹ of \$0.04 million compared to an adjusted EBITDA¹ loss of \$0.1 million for the prior year period.
- Adjusted Free Cash Flow² of (\$0.6) million compared to adjusted free cash flow of (\$0.7) million for the prior year period.

¹ Please refer to “Key Performance Indicators” section of this press release.

² Please refer to “Non-IFRS Measures and Reconciliation of Non-IFRS Measures” section of this press release.

Second Quarter 2023 Business Highlights

- In Commerce, launched a new self-service B2B customer portal for Groupe Touchette, one of the largest Canadian-owned tire distributors, resulting in a marked increase in usage on the transactional website with over 94% of orders going through the site, up from below 80% on the previous platform. We are also active on several opportunities through discovery contracts that are expected to lead to larger program investments with our customers.
- Data Management had improved sequential bookings from the first quarter with several managed services cross sell wins and key wins that included a leading quick service restaurant chain, a publicly traded global engineering products company and a leading games publisher.
- Supply Chain had several new Control Tower wins that added to ARR bookings in the second quarter including customers in the retail, sporting goods, pet care industries and a managed services and Control Tower win with a large multinational cosmetics company.

Second Quarter 2023 Results

Selected Financial Measures

	Three months ended June 30,				Six months ended June 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
	\$	\$	\$	%	\$	\$	\$	%
Managed Services.....	10,660,781	9,944,300	716,480	7.2%	21,671,935	19,772,777	1,899,158	9.6%
Professional Services	12,015,894	16,490,048	(4,474,154)	-27.1%	26,051,107	31,158,695	(5,107,588)	-16.4%
Total Revenue	22,676,675	26,434,348	(3,757,674)	-14.2%	47,723,042	50,931,472	(3,208,430)	-6.3%

Key Performance Indicators

	Three Months Ending June 30				Six Months Ending June 30			
			YoY Change				YoY Change	
	2023	2022	Change	% Change	2023	2022	Change	% Change
Total ARR (1)	42,597,576	42,387,812	209,764	0.5%	N/A	N/A	N/A	N/A
YTD ARR Bookings	1,864,630	1,592,297	272,333	17.1%	2,743,328	3,071,624	(328,296)	-10.7%
YTD Non-Recurring Bookings	9,761,707	12,614,977	(2,853,270)	-22.6%	24,993,519	30,147,918	(5,154,399)	-17.1%

YTD Total Bookings	11,626,337	14,207,274	(2,580,937)	-18.2%	27,736,847	33,219,542	(5,482,695)	-16.5%
Net Revenue Retention Rate in Constant Currency (1)	89.0%	92.1%	-3.1%	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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Adjusted EBITDA	37,013	(114,534)	907,165	70,545
Adjusted Free Cash Flow	(610,547)	(714,961)	(315,588)	(1,106,493)

Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2023 and 2022.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenue	22,676,675	26,434,348	47,723,042	50,931,472
Cost of revenue.....	12,363,641	14,550,161	25,805,152	28,623,008
Gross profit.....	10,313,034	11,884,187	21,917,890	22,308,464
Operating expenses				
General and administrative....	2,953,763	4,317,871	6,231,085	7,527,667
Sales and marketing	2,564,337	2,666,775	5,413,597	4,818,200
Research and development	561,426	1,198,885	1,399,939	2,247,384
IT and Operations.....	3,838,397	4,102,622	7,614,458	7,863,309
Loss (gain) on foreign exchange.....	358,098	(287,430)	351,647	(218,639)
Amortization and Depreciation	1,596,148	2,293,128	3,222,021	4,979,797
Stock based compensation.....	230,481	284,927	469,055	553,458
Restructuring and Other.....	784,849	71,418	915,430	185,129
Interest.....	73,401	87,533	182,812	159,443
	12,960,900	14,735,729	25,800,044	28,115,748

Income before other items.....	(2,647,866)	(2,851,542)	(3,882,154)	(5,807,284)
Other items (expenses)	-	-	-	-
Interest income.....	64,161	23,860	75,885	44,533
Operating loss	(2,583,705)	(2,827,682)	(3,806,269)	(5,762,751)
Current taxes.....	(1,286)	(1,157,180)	(197,092)	(1,737,506)
Deferred taxes.....	-	311,197	-	523,591
Net income (loss).....	(2,584,991)	(3,673,665)	(4,003,361)	(6,976,666)
Other comprehensive income (loss)				
Foreign translation adjustment.....	(770,922)	545,216	(829,181)	(441,691)
Comprehensive income (loss).....	(3,355,913)	(3,128,449)	(4,832,542)	(7,418,357)
Income (Loss) per share - basic	(0.10)	(0.14)	(0.15)	(0.27)
Weighted average number of common shares outstanding - basic.....	26,642,201	26,176,317	26,633,623	25,740,078

Cash Flows

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Cash and cash equivalents, beginning of period ...	15,838,651	19,958,709	17,346,028	24,570,287
Net cash provided by (used in):	-	-	-	-
Operating activities.....	(3,953,427)	259,579	(5,033,280)	(3,898,471)
Investing activities.....	(384,373)	(4,217,029)	(589,649)	(4,408,324)
Financing activities.....	(411,037)	487,602	(633,285)	225,369
Effect of foreign exchange on cash and cash equivalents	-	-	-	-
Net increase (decrease) in cash and cash.....	(4,748,837)	(3,469,848)	(6,256,214)	(8,081,426)
Cash and cash equivalents, end of period	11,089,814	16,488,861	11,089,814	16,488,861

Conference Call

Management will host a live Zoom Video Webinar on Friday, August 11, 2023 at 8:30 am ET to discuss these second quarter 2023 results. The webinar can be accessed through the following registration link: https://pivotree.zoom.us/webinar/register/WN_Y8O3fguQ7CrmDgD7QJFMq.

A replay will be available approximately two hours after the conclusion of the live event and posted on <https://investor.pivotree.com/>.

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 June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Net Income (loss)	(2,584,991)	(3,673,665)	(4,003,361)	(6,976,666)
Depreciation & Amortization (1)	1,596,148	2,293,128	3,222,021	4,979,797
Interest (2)	9,240	63,673	106,928	114,910
Taxes	1,286	845,983	197,092	1,213,915
EBITDA	(978,317)	(470,881)	(477,320)	(668,044)
Stock-Based Compensation (3)	230,481	284,927	469,055	553,458
Restructuring & Other (4)	784,849	71,420	915,430	185,131

Adjusted EBITDA	37,013	(114,534)	907,165	70,545
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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 represents 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:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Adjusted EBITDA	37,013	(114,534)	907,165	70,545
Cash Financed Capital Expenditure	(237,208)	(175,439)	(442,483)	(315,790)
Payment of Capital Leases	(253,946)	(328,486)	(526,176)	(664,594)
Deferred Development	(147,166)	(32,829)	(147,166)	(81,744)
Interest (1)	(9,240)	(63,673)	(106,928)	(114,910)
Adjusted Free Cash Flow	(610,547)	(714,961)	(315,588)	(1,106,493)

Notes:

- (1) Interest expenses net of interest income.

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 canceled by our customers. 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.

- *Annual Recurring Revenue (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 may also include set up fees associated with deployment of services. The bookings on renewals of similar services are recorded using the net incremental amounts to provide readers with revenue growth expectations. The bookings conversion to revenue 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 could vary from actuals once overage and seasonal consumption charges are captured, as they are not estimated and recorded at time of booking. 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 or industry book to bill metrics.
- *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 six months ended June 30, 2023 are as follows:

	Three Months Ending June 30		YoY Change		Six Months Ending June 30		YoY Change	
	2023	2022	Change	% Change	2023	2022	Change	% Change
Total ARR (1)	42,597,576	42,387,812	209,764	0.5%	N/A	N/A	N/A	N/A
YTD ARR Bookings	1,864,630	1,592,297	272,333	17.1%	2,743,328	3,071,624	(328,296)	-10.7%
YTD Non-Recurring Bookings	9,761,707	12,614,977	(2,853,270)	-22.6%	24,993,519	30,147,918	(5,154,399)	-17.1%
YTD Total Bookings	11,626,337	14,207,274	(2,580,937)	-18.2%	27,736,847	32,219,542	(5,482,695)	-16.5%
Net Revenue Retention Rate in Constant Currency (1)	89.0%	92.1%	-3.1%	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.

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