Pivotree Inc.

The Frictionless Commerce Company

To our shareholders, employees and customers - Q4 2025 and Full Year 2025

Thank you to the entire Pivotree team for effectively managing a year of transformation. As the Frictionless Commerce company, Pivotree ensures B2B industrial manufacturers, distributors and retailers have the right product data, in the right format, in the right systems — increasingly at AI-powered speed and a fraction of traditional cost. In 2025, we delivered on our commitment to operational excellence and free cash flow generation while strategically positioning ourselves for the next phase of growth. Most importantly, we've maintained profitability with our fifth consecutive quarter of positive Adjusted EBITDA[1], demonstrating the sustainability of our business model even as we navigated challenging market conditions.

Closer Look at Q4 Results

Q4 MIPS revenue grew 22% year-over-year to $4.1 million, the strongest quarter since Q4 2023. A major highlight was the **111% surge** in MIPS TCV bookings[1] over Q3 2025, to $4.6 million. Professional Services revenue was $8.6 million with TCV bookings[1] of $9.1 million, reflecting the deliberate mix shift to higher-margin engagements. Total revenue was $14.9 million, modestly down quarter over quarter and down 18% year-over-year, with the majority of this attributable to LMS declining 52% to $2.1 million as planned and budgeted for. Excluding LMS, revenue of $12.7 million was down 7% year-over-year as we focused on profitability with Q4 Adjusted EBITDA[1] of 8.2% solidly within our 7-10% target range.

Operational discipline protected our margins despite 2025 revenue declines, which were largely driven by the planned LMS wind-down and a challenging environment of economic uncertainty, longer sales cycles, and reduced client spending on large discretionary projects.

Full Year 2025 in Review

2025 was defined by our focus on free cash flow improvement and operational efficiency as we added $8.9 million[2] in cash over the course of 2025 ($7.2 million through operations and working capital improvement and another $1.9 million through divestiture of our WMS business). We also invested close to $300k in our NCIB. This is a stark contrast to 2024, validating our strategy of prioritizing sustainable profitability over top-line growth. This FCF improvement came from disciplined cost control, improved YoY gross margins through project execution margins and management of MIPS & LMS cost. Our MIPS offering contributed to the real improvements in LMS & MIPS margins as they expanded from 49.8% in the prior year to 54.4% by the end of the year, offsetting the margin decline in LMS associated with declining LMS revenues. We delivered total revenue of $66.8 million, a 15% decline from 2024, overwhelmingly driven by the carefully managed $8.3 million LMS wind-down. MIPS and PS combined generated $55.2 million in revenue, down 5% from the prior year. Full year Adjusted EBITDA[1] landed at 10.8% which is at the higher end of our target range, demonstrating the resilience of our business model.

Operating in a Challenging Market Environment

2025 tested every business, and Pivotree was no exception. The year was marked by pervasive economic uncertainty, with clients across our core verticals—Industrial Manufacturing & Distribution which includes

(1) EBITDA, Adjusted EBITDA and Total Contract Value (TCV) Bookings are Non-IFRS measures. See "Non-IFRS Measures" at the end of the letter.
(2) Net increase in cash excluding Proceeds on sale of intangible assets and share repurchase

Automotive & Heavy Duty, as well as Retail—adopting a more cautious stance on technology investments. The AI question is creating both opportunities for Pivotree to demonstrate the potential benefit of leveraging AI approaches to projects and processes but it is also causing some uncertainty among buyers who are approaching these conversations more as “test the waters” and “experiment” versus making big bets yet.

We adapted by focusing on client retention, expanding relationships with our largest accounts, and demonstrating clear ROI on every engagement. This approach protected our margins and cash flow, despite declining revenue.

Strategic Progress: The AI Inflection Point

2025 was a pivotal year for Pivotree's strategic positioning in the emerging agentic commerce landscape. We made substantial progress in three critical areas that will define our competitive advantage going forward.

First, we dramatically scaled our internal AI capabilities, training a significant number of employees to leverage AI tools in delivery operations. These efficiency improvements are already flowing through to improved gross margins and faster project delivery times. Second, our R&D initiatives became more distributed, embedding innovation across delivery, sales, and operations. This broader approach is yielding practical, AI-enabled automation components that are now part of our PS & MIPS bookings[1] mix, including a number of large contracts that were signed with multi-year terms to end the year. Many of the skills and capabilities that make up our historical service catalogue are being aggressively modified with the introduction of AI enablement.

And third, our clients are realizing that clean, accessible data is the essential foundation for agentic solutions. Our multi-year investment in data quality is the right strategic bet as the industry shifts toward autonomous commerce systems. We are already deploying agent-based solutions in production that automate product data enrichment, monitor data quality, and streamline complex integration workflows, generating measurable business outcomes for clients. Our combination of data infrastructure, domain expertise, and AI implementation capabilities positions us well as the market moves from automation to autonomy.

Looking Ahead to 2026

Pivotree will enter 2026 with a strong balance sheet, positive cash generation, and the operational discipline needed to invest for growth. With our cash position, available credit facility, and proven ability to generate free cash flow, we have the financial flexibility to pursue our strategic priorities without compromising our hard-won profitability.

Our primary focus for 2026 is transforming the revenue mix, specifically through increased deployment of AI-enabled tools and methods across our entire business (selling, delivery, and operations). We are retooling our entire service catalogue to be more AI enabled and that is changing how we go to market and how we contract with clients. We are moving towards more outcome oriented pricing, longer term managed service engagements and reduced reliance on large PS project implementations done on traditional time and materials basis. Our measure of success will be continued progress in bookings[1] and revenue growth in our MIPS segment and ultimately seeing a few of these new offerings demonstrate accelerating growth by the end of the year. We may actually see continued topline revenue decline as we convert to Managed Services and AI enabled PS but the revenue mix and margin will be the measure of our long term growth potential.

Benefits to our clients should be lower project costs, faster time to benefit and easier change management and experimentation in their environments.

We are continuing to invest in R&D to accelerate our automation capabilities and maintain our competitive position. This will be funded from improving gross margins and operational cash flows while keeping Adjusted EBITDA[1] margins in the 7-10% range. We are investing more to help transform our employees skills and abilities, leveraging their domain knowledge and using AI as a force multiplier.

The political and economic dynamics of 2025 are still present, requiring a careful balance between our operating discipline and desire to accelerate early AI advantages. Client conversations are now action-oriented, shifting from "should we invest in digital transformation?" to "how do we deploy AI effectively to drive tangible business outcomes?" This is exactly the conversation where Pivotree is starting to excel, and we're seeing it reflected in our pipeline development and early 2026 bookings[1] activity.

Summary

2025 will be remembered as the year we proved Pivotree's financial sustainability. We delivered dramatically improved free cash flow, maintained consistent profitability, and strategically positioned ourselves at the forefront of the AI-driven commerce revolution, all while navigating a challenging macroeconomic environment.

The foundation is solid: we have the cash to invest, the operational discipline to maintain profitability, and the evolving technical capabilities to lead in agentic commerce. I am confident in our ability to drive the revenue mix transformation in key strategic areas and profitability in 2026. We're entering 2026 from a position of strength in our capabilities, with clear momentum building to capitalize on the significant opportunities that lie ahead.

Bill Di Nardo
Chief Executive Officer

Forward-looking Information

This letter 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, bookings, 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, the proposed expansion of the Company's market position, potential acquisitions, the conversion of sales pipelines to confirmed bookings, and the achievement and maintenance of profitability metrics, such as Gross Profit, Gross Margin, EBITDA, Adjusted EBITDA, Net Income, and Comprehensive Income.

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 letter, 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:

- our ability to execute on our growth strategies;
- our ability to create and protect unique intellectual property and enter new markets;
- the impact of changing conditions in the global e-commerce market, including (i) increasing competition and (ii) changes in approach in the e-commerce software as a service solution or infrastructure market;
- changes in the expectations, financial condition and demand of our target markets;
- changes in the expectations, competitive positioning and demand amongst major cloud providers;
- changes or increases in the difficulty of avoiding cyber or data security threats, or compliance with data security regulators that may impact our business;
- our ability to continue to execute accretive acquisitions;
- our ability to maintain and build our reputation with clients;
- our ability to achieve confirmed bookings from our sales pipeline and the risk that customers in our sales pipeline move their business to one of our competitors
- fluctuations in currency exchange rates and volatility in financial markets;
- developments and changes in applicable laws and regulations; and
- such other factors discussed in greater detail under the "Risk Factors" section of the prospectus of the Company dated October 23, 2020 (the "**Prospectus**").

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 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 letter represents the Company's expectations as of the date of this letter (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.

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

This MD&A 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 MD&A include "Total Contract Value Booking", "EBITDA" and "Adjusted EBITDA". Definitions of these terms, as well as reconciliation of these items to the nearest IFRS measure (where applicable), are located in Pivotree's MD&A.