



January 5, 2026

Re-EMERGE: Reflections and the Road Ahead

Most shareholder letters today read like a stream of PR chest-thumping milestones wrapped in endless layers of “awesomeness.”

Not this one.

This letter is a candid reflection on what went wrong in our first chapter (**ECOM 1.0**) as a public company, the difficult but necessary decisions made to execute a multi-year turnaround (**ECOM 2.0**), and what must go right in our next phase (**ECOM 3.0**) for EMERGE to truly re-emerge.

Record Results, Rock Bottom

In January of 2023, EMERGE was trading at \$0.01 per share.

Not a typo. Perhaps not unwarranted either.

Despite reporting record fiscal 2022 results including Gross Merchandise Sales⁽¹⁾ of \$118M, revenue of \$58M, and Adjusted EBITDA⁽¹⁾ of \$3.6 million, our balance sheet told a very different story. At December 31, 2022, we carried approximately \$30.5M debt⁽²⁾ (\$24.5M net debt⁽³⁾), and current liabilities were approaching 3x current assets⁽⁴⁾.

The equity market appeared to be sending a signal: we were not expected to survive.

So, what went wrong? More importantly, how are we applying those lessons to build a more durable, repeatable, and scalable business over the long run?

ECOM 1.0: Broken Model × Broken Macro

By now, the collapse of the diversified e-commerce aggregator model is well documented⁽⁵⁾. Across the sector, an estimated US\$16 billion⁽⁵⁾ was raised, much of it ultimately wiped out⁽⁶⁾. The model was effectively “pronounced dead”⁽⁶⁾ in early 2024 when Thrasio, the category’s poster child, filed for Chapter 11 protection⁽⁷⁾, and subsequent restructuring⁽⁸⁾.

The prevailing thesis across the sector was to raise capital, layer on debt, acquire unrelated brands, centralize services, and arbitrage valuation multiples.

While EMERGE differed from Amazon-centric roll-ups in important ways, we were not immune to the structural limitations of assembling a portfolio of largely disparate e-commerce brands with limited synergy, nor to the violent macro reversal that followed.



When we went public in December 2020, at the height of the pandemic, e-commerce demand was artificially elevated. It was not uncommon for brands to double, or even triple revenues. We accelerated acquisitions accordingly, growing revenue by nearly ~3.8x during our first year as a public company⁽⁹⁾.

In hindsight, our timing could not have been worse.

As demand normalized, revenues declined, and there were no real synergies in the aggregator model to offset the drop. Compounding our operational challenges, interest rates rose at a historic pace, drastically increasing debt servicing costs.

By late 2023, EMERGE's equity value had nearly been wiped out. Absent swift and decisive action, that would have likely been the end.

ECOM 2.0: Turnaround or Die

Faced with that reality, we made the difficult but necessary decision to relentlessly prioritize debt reduction by selling off non-core businesses, allowing us to focus on fewer, more compelling opportunities we could win big at. We returned to EMERGE's original DNA: *Grocery and Golf* — 2 verticals that had generated a considerable portion of our revenue in our earlier years, and aligned with our in-house operating expertise here in Canada, where these businesses were based and founded.

We abandoned the decentralized, low-synergy model in favour of a centralized, hands-on management style, directly running the businesses via the HQ team rather than “managing the managers”. We focused inwards on driving operational efficiencies.

Nearly 2 years later, the results are tangible:

1. Debt Reduction

- Net debt^(1,3) reduced by approximately **~84%** since December 31, 2022
- Senior credit facility reduced from **\$25M** originally to **\$5.85M**

2. Re-Ignited Growth

- Positive organic revenue **growth for 2 consecutive years**
- **Revenue YTD 2025: \$20.5M (vs. \$14.1M YTD 2024)**



3. Improved Profitability & Cash Flow

- 2025 is on track to be our **first full year of positive Adjusted EBITDA⁽¹⁾ and positive cash flow** under the streamlined business
- **Adj. EBITDA⁽¹⁾ YTD: \$1.25M** (vs. - \$485K loss YTD 2024)
- **Cash flow from operations YTD: \$2.5M** (vs. - \$915K cash outflow YTD 2024)
- **Cash balance: \$4.1M** at September 30, 2025 (vs. \$1.6M at Sept 30, 2024)

** YTD refers to year-to-date results for the nine months ended September 30, 2025, based on the Company's interim unaudited financial statements.*

T2G: A Transformative Acquisition

After stabilizing the business and returning it to growth in 2024, we were ready to pursue our first acquisition in almost 3.5 years. We knew we had to *really* nail it.

In April 2025, we acquired **Tee 2 Green (“T2G”)**, a 38-year golf equipment and apparel business with a strong retail footprint and established roadshow events across Ontario. Albeit a seasonal business, driving most of its sales during peak golf season, T2G came with a long-standing track record of revenue stability, profitability and cash flow. The business was being sold by a retiring founder with whom we had built a multi-year working relationship through our golf business.

The transaction looked nothing like deals completed during ECOM 1.0. We acquired T2G at an attractive ~2.2x EBITDA⁽¹⁾ multiple (vs. a stated acquisition EBITDA multiple target of 4-6x EBITDA⁽¹⁾ during ECOM 1.0), with deferred consideration spread over 5 years and a \$2.4M inventory payment plan extended over 8 years, creating an exceptional near-term cash flow advantage.

Synergies were immediate. Leveraging our 400,000-member golf database and applying our digital advertising playbook, we materially accelerated T2G's growth. Historically a 3-5% growth business, T2G's growth rate was approaching 10x that level in its initial quarters under EMERGE — driving major improvements in profitability and cash flow, exceeding even our most optimistic internal expectations.

A Favourable Hand (*Finally*)

After several years of misfortune, 2025 was the first year the macro environment worked in our favour⁽¹⁰⁾.



While many companies struggled with uncertainty — from U.S. tariffs to a softening economy — our portfolio was largely a benefactor of the chaos. **truLOCAL**, Canada’s leading direct-to-consumer (“D2C”) local meat and seafood subscription business, gained from the “*Support Local*” and “*Buy Canadian*” movement sweeping the country. Our discount golf business benefited from value-seeking consumer behaviour as the economy weakened. The interest rate cuts also provided an additional tailwind.

We won’t pretend this was all by design, but hey, after years of bad luck, we were happy to finally be dealt a good hand.

ECOM 3.0: Disciplined, Strategic Growth

Following a multi-year turnaround, The T2G acquisition ushered in a new chapter — ECOM 3.0, the era of disciplined, strategic growth.

Below is a short list of core tenants that guide our ECOM 3.0 playbook:

1. Bottom Line as the Top Priority

Every capital allocation decision now begins and ends with enhancing profitability, and ultimately cash flow generation, with the goal of reinvesting into future growth and lowering our cost of capital, re-enforcing the flywheel. Worth noting, we will also continue to aim for moderate, positive organic revenue growth, with higher growth expected to be derived from acquisitions, as demonstrated by T2G’s impact (*EMERGE reported revenue growth of ~45% in 2025 YTD*). Over time, our aspiration is to emulate long-term, cash-flow-focused compounders — not “growth at all costs” models.

2. Lower Cost of Capital

Despite meaningful debt reduction, and vastly improved profitability, our senior facility still carries an interest rate (*variable*) of ~11%, down from a peak of ~13.75%. This is a noteworthy improvement, but likely not the best we can do.

With a clear turnaround track record, we believe there is a near-term opportunity to refinance our facility on more favourable terms. While there are no guarantees, we are actively engaging Canadian banks and other lenders to evaluate opportunities to reduce cost and extend the facility longer-term, all the while maintaining operational flexibility.

3. Opportunistic, Strategic Acquisitions

On the back of the success of the T2G acquisition, future acquisitions must reflect the spirit of that transaction: disciplined pricing that clears our return on invested capital (“ROIC”) hurdle rates, cash-flow positive within the first year, and meaningful synergies with our existing portfolio.



During this phase, we are focused on the following verticals:

- **Grocery** – Building around **truLOCAL**, a formidable brand, and the Canadian market leader in D2C meat and seafood subscription, well positioned to tuck-in various players in the D2C food/ tech space, including direct competitors, adjacent “healthy/ local” food brands, and corporate gifting (B2B) businesses.
- **Golf** – Our North American golf platform now includes **UnderPar, JustGolfStuff,** and **T2G**. Our 3-brand, 400,000 member portfolio is an excellent starting point for bolt-on acquisitions across golf experiences, products, apparel, media and tech.
- **E-commerce Enablement / Digital Services**– Our objective is to assemble a suite of B2B apps and tools that can super-charge our portfolio leveraging the latest technologies, including AI, while enhancing margins, cash flow, reducing seasonality, and balancing inventory-heavy businesses with asset-light additions.

It is our belief that these verticals have tremendous total addressable markets and potential over the long-run, a mix of organic and inorganic growth.

Lessons (in no particular order)

Reflecting on the journey to date, there have been many valuable learnings along the way. Here are 10 lessons that stand out:

1. **Price matters (a lot).** What you pay for an acquisition disproportionately impacts the extent that it turns out to be a successful deal when all is said and done. We managed to make our cash payment to T2G back in the first 90 days, in part because we negotiated it to be a little over ~1x EBITDA upfront.
2. **Boring is Brilliant.** Buying “old school” businesses that have stood the test of time at a reasonable price trumps buying the next shiny thing. *Buy “boring”, layer on the “sexy” later.*
3. **Focus is a Wonderful Thing.** We found much greater success going deep into a vertical, allowing us to really zone in on every aspect of building a brand, a community, an ideal customer experience, and sound operating metrics. Since jumping in to manage truLOCAL directly, with extreme focus, we have managed to re-ignite revenue growth and significantly improve profitability.
4. **Align and Move Aside.** Find out who your true stars are, incentivize them accordingly, and get out of the way. Conversely, toxic talent has to go FAST (no matter how talented).



5. **Cockroach Theory.** There's no optionality in being dead! Just staying alive is worth something. When T2G landed on our lap, it was helpful that we were still alive to seize the opportunity.
6. **Stress the Stress-Test.** ~10% downside sensitivity analysis is not enough in this wacky world. Assume ~30% downside. It feels like *"Once in a lifetime"* macro scenarios actually happen every ~10 years or so.
7. **Execute First, Talk Later.** The best advice I got at the start of the turnaround was to *"operate this public company as though it were a private one"*. Outside of public company requirements, focus every bit of energy on delivering results. Let the numbers do the talking, first.
8. **The Power of Brand.** Durable e-commerce is not possible without building a real brand and community. E-commerce is a hands-on combat industry and without brand, you simply don't have a lasting edge. It's one of the main reasons why we chose to double down on truLOCAL, a business that exhibits *best-in-class customer lifetime value ("CLTV" of \$2,000) vs. customer acquisition cost ("CAC" of \$124)*, a testament to the authentic purpose-driven brand it embodies.
9. **Stay Scrappy.** EMERGE would not have survived without a scrappy mindset. We questioned every cost, renegotiated every material vendor agreement, and pushed a culture of *"survival of the stingiest."* We funded the T2G acquisition by selling our dormant SHOP domains to *Shopify*, and exiting Carnivore Club — effectively replacing two non-performing assets with one high-quality, cash-generative business. *"Scrappy" remains a defining characteristic of EMERGE. We guard the Company's cash rigorously — and we intend to keep it that way.*

The 10th and final lesson..

10. **People Matter Most.** In business, and in life, the people you surround yourself matter, even more so when you are climbing seemingly insurmountable mountains. *Grateful for everyone who believed in us to embark on and execute this improbable turnaround, which we continue to execute. We have a relentless team, a highly engaged Board and a long-term investor base. Thank you all for your enduring support and commitment.*



2026: The “Show Me” Year

If 2025 was our breakthrough year, **2026 is the “Show Me” year.**

Show me sustained operational execution.

Show me more discipline with debt.

Show me another accretive, strategic acquisition.

Show me that EMERGE is truly ready to Re-EMERGE...

We’re on it.

For the first time in years, the road ahead is finally a road we can see again.

Onwards,

A handwritten signature in black ink, appearing to read 'G. Halazon'.

Ghassan Halazon

*Founder & Chief Executive Officer
EMERGE Commerce Ltd. (TSXV: ECOM)*



Footnotes

1. Non-GAAP Financial Measure or Non-GAAP Ratio. Refer to “Non-GAAP Measures” below for additional information.
2. Debt is calculated as follows: Senior credit facility + convertible debenture + deferred consideration
3. Net Debt is calculated as follows: Senior credit facility + convertible debenture + deferred consideration – cash
4. All references to 2022 results are based on fiscal year (audited) 2022 financial statements
5. <https://www.marketplacepulse.com/aggregators>
6. <https://www.marketplacepulse.com/articles/the-amazon-aggregator-is-dead>
7. <https://news.crunchbase.com/fintech-ecommerce/amazon-aggregator-thrasio-files-for-bankruptcy-protection/>
8. <https://www.retailtouchpoints.com/topics/market-news/amazon-aggregator-and-former-unicorn-thrasio-files-for-bankruptcy>
9. Based on full year 2021 financials (EMERGE’s first full public year) compared to 2020 financials
10. There are no guarantees that the macro will continue to benefit the Company
11. All references to YTD in the shareholder letter refers to year-to-date results for the nine months ended September 30, 2025, based on the Company’s interim unaudited financial statements. Readers are encouraged to review the Company’s interim financial statements and MD&A available on SEDAR+.

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 **September 30, 2025** in the section "Non-GAAP Financial Measures" available through SEDAR+ at www.sedarplus.ca.

Notice regarding forward-looking statements

This letter may contain forward-looking statements within the meaning of applicable securities laws, including, Canadian securities regulations and laws. These forward-looking statements are based on current expectations, estimates, projections, beliefs, and assumptions of management, including those of the Company, as of the date of this letter.

Forward-looking statements typically include words such as "anticipate," "expect," "intend," "plan," "believe," "estimate," "may," "will," "should," "could," "would," "continue," "forecast," "potential," "target," "goal," "vision," "strategy," and similar expressions or variations thereof. These statements may relate to, among other things, the company's strategic initiatives, business plans, regulatory environment, growth prospects, financial performance, operational outlook, timing and scope of projects, future market conditions, funding and capital requirements, partnerships, or other business developments.

Such statements are not guarantees of future performance and are subject to a number of known and unknown risks, uncertainties, and other factors—many of which are outside the Company's control—that could cause actual results or outcomes to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to: fluctuations in product prices, changes in regulatory or political environments, operational risks, financing risks, market demand for e-commerce services, reliance on third-party partners or vendors, competition, and the overall economic environment.

Also, this letter may include market and industry data obtained from various publicly available sources and other sources believed by the Company to be true. Although the Company believes it to be reliable, the Company has not independently verified any of the data from third-party sources referred to in this presentation or analyzed or verified the underlying reports relied upon or referred to by such sources, or ascertained the underlying assumptions relied upon by such sources. The Company does not make any representation as to the accuracy of such information.

The Company does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law. Readers are cautioned not to place undue reliance on these forward-looking statements.

This letter is for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any securities of the Company, nor shall it form the basis of or be relied upon in connection with any investment decision.