FINAL TRANSCRIPT

EMERGE Commerce Ltd.

Second Quarter 2025 Results Conference Call

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CORPORATE PARTICIPANTS

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EMERGE Commerce Ltd. — Founder and Chief Executive Officer

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CONFERENCE CALL PARTICIPANTS

Telfer Hanson
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PRESENTATION

Operator

Good morning and welcome to the EMERGE Commerce Second Quarter 2025 Results Conference Call. At this time, all participant lines are in a listen-only mode.

Following the presentation, we will conduct a question-and-answer session for analysts.

And if at any time during this call you require immediate assistance, please press *, 0 for the Operator.

Also note that this call is being recorded on August 27, 2025.

Your hosts today are Ghassan Halazon, Founder and Chief Executive Officer, and Dasha Enenko, Chief Financial Officer.

Before we begin, I am required to provide the following statement respecting forward-looking information, which is made on behalf of EMERGE and all of its representatives on this call.

Certain statements made on this call may contain forward-looking information. These forward-looking statements generally can be identified by the use of such words as intend, believe, could, expect, estimate, forecast, may, and other words of similar meaning. This forward-looking information is based on our opinions, estimates, and assumptions in light of our experience and perception of historical trends, current conditions, and expected future developments as well as other factors that we currently believe are appropriate and reasonable in the circumstances.

Actual results could differ materially from a conclusion, forecast, expectation, belief, or projection in the forward-looking information. Certain material factors and assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information. We caution investors not to rely on the forward-looking information.

Additional information about the material factors that could cause actual results to differ materially from the conclusion, forecast, or projections in the forward-looking information and material factors or assumptions that were applied in drawing a conclusion or making a forecast or projections as reflected in the forward-looking information are contained in EMERGE's filings with Canadian provincial securities regulators.

During today's calls, all figures are in Canadian dollars unless otherwise stated.

At this time, I would like to turn the call over to Mr. Ghassan Halazon, Founder and CEO. Please go ahead, sir.

Ghassan Halazon — Founder and Chief Executive Officer, EMERGE Commerce Ltd.

Thank you very much. Good morning, everyone. We appreciate you taking the time to participate in our second quarter 2025 conference call.

Joining me today is Dasha Enenko, our CFO.

This morning, I will walk through the exceptional operational progress we are making at EMERGE and share some insights across our businesses, including the terrific performance of our recent acquisition, our new M&A playbook, our Q3 outlook, as well as our priorities for the second half of 2025.

Following my remarks, Dasha will provide additional details on our financial results, after which I will conclude the call with some closing remarks and open up the line for analyst questions. Let's dive in.

Q2 was a breakthrough quarter for EMERGE Commerce and, in many ways, the culmination of years of hard work, realignment, and disciplined execution.

In short, our Q2 results exceeded even our most aggressive expectations internally. There is a lot to mention about the past few years and how we got here. But first, as the saying goes, I will let the numbers do the talking.

Revenue for the quarter grew by 70 percent to $8.5 million, driven by the outstanding results we saw in Tee 2 Green’s first quarter under EMERGE ownership, in addition to the continued positive organic growth we achieved at truLOCAL, our flagship grocery brand. Q2 marks our fifth consecutive quarter of positive organic revenue growth.

Q2 adjusted EBITDA improved to $958,000, a positive swing of $1 million year over year, and the Company’s largest adjusted EBITDA result to date since refocusing the business exclusively around grocery plus golf businesses.

This also marks our second consecutive quarter of positive adjusted EBITDA and positions us well to achieve full year adjusted EBITDA positive in 2025, one of our key goals.

Net income from continuing operations improved to $201,000 compared to a net loss of $620,000 in Q2 ’24. The reported net income from continuing operations includes a fair value inventory adjustment of $382,000 recorded as part of business acquisition accounting related to Tee 2 Green or T2G for short. Excluding this non-cash accounting adjustment, net income from continuing operations in Q2 would be approximately $583,000.

Our cash position grew to $3.5 million at the end of Q2 versus $2.7 million at the end of Q1. This is despite spending $1.1 million to close the T2G acquisition in April.

The increase in cash quarter over quarter highlights the strong cash flow generation, specifically from operations. In fact, in Q2, EMERGE generated $2 million of cash flow from operations compared to cash outflow of negative $200,000 in Q2 ’24.

Worth noting, Q2 is generally one of our stronger quarters for EMERGE, particularly for our golf business in Canada with the kickoff of golf season and now even more so with the addition of Tee 2 Green.

We also benefitted from the favourable structuring of the T2G deal, which included an eight-year inventory payment plan, further bolstering cash flow.

Our business model is uniquely positioned to thrive in the current macro backdrop.

truLOCAL, our premium Canadian meat and seafood subscription business, has been a benefactor of the Support Local movement sweeping the country this year, resulting in a large influx of new customers at very attractive customer acquisition costs not seen since the peak pandemic.

On the other hand, our discount golf business is a recession-friendly business as customers seek out more deals, and golf suppliers rely more heavily on discount marketplaces such as ours to move inventory.

Now I will share a few pertinent updates from key strategic highlights during the quarter.

On April 4, 2025, EMERGE closed the acquisition of all the issued and outstanding shares of Tee 2 Green. T2G is a profitable discount golf apparel and equipment business with a 38-year track record of operations focused on the Canadian market.

T2G achieved revenue of $6.4 million, adjusted EBITDA of $1 million, and net income of $700,000 in 2024, unaudited.

T2G is proving to be highly synergistic with EMERGE's extensive golf database in the early going, which includes UnderPar and JustGolfStuff, along with a 400,000-golf subscriber database, to help scale T2G's business cost-effectively.

EMERGE was able to utilize the cash proceeds from the Carnivore Club asset sale as well as the sale of the shop domains to Shopify towards closing the T2G acquisitions without the need for a capital raise to complete the deal.

T2G’s first quarter under EMERGE ownership, Q2 ’25, delivered exceptional organic revenue growth of 31 percent year over year and adjusted EBITDA growth of 37 percent, exceeding management expectations.

T2G has historically been a low-growth business and was modeled internally as such. The strong performance was fueled by EMERGE’s targeted digital advertising and cross-brand synergies within its golf vertical.

Cash flow generated by T2G in its first quarter under EMERGE comfortably exceeded the $1.1 million up-front cash payment made by EMERGE to complete the transaction. Safe to say, T2G’s first 90 days under EMERGE ownership are what we call a home run in business.

Now for an update on the debt side.

Alongside the acquisition of T2G on April 4, 2025, the Company also entered into a credit facility amendment with its existing lender. The Amended Facility provides an 18-month extension and an additional 6-month extension option, provided that the lender consent is obtained. Inclusive of the 6-month extension, the Amended Facility would mature in April 2027. The Company remains in good standing with its existing lender, which it has worked with since November 2019.

In addition, the recent interest rate cuts as well as the highly anticipated upcoming rate reductions are expected to result in meaningful cash savings for the business given our variable rate under the facility.

We also believe that our materially improved profitability, coupled with the addition of T2G’s accretive profile as well as our reduced net debt levels in a more favourable interest rate cycle could lead to the possibility of securing cheaper, longer-term, alternative debt refinancing options, further driving savings and improving cash flow.

To be abundantly clear, we are not seeking to increase our debt. After all, we spent the last few years eliminating close to 80 percent of our net debt position, by no means a trivial feat.

Our goal is to actually reduce our cost of capital. In other words, reduce interest expense and grow cash flow that we can pour back into our business and into future accretive acquisitions similar to T2G.

Speaking of acquisitions, I wanted to take a moment to outline the new and improved EMERGE M&A strategy for this next phase.

In our previous life, EMERGE was set up to be a decentralized, vertical, agnostic e-commerce holding company with little to no synergy amongst the brands by design. Clearly, that model had its challenges and ultimately proved troublesome once the artificial pandemic highs reversed and interest rates skyrocketed.

Moving forward, EMERGE is relaunching our opportunistic acquisition program, focused solely on the grocery and golf verticals where we have amassed deep expertise, bench strength, brand awareness, and substantial customer databases.

Target acquisition criteria include, one, durable businesses with a track record of 5 to 50 years in business; two, has to be cash flow generative in its first year under EMERGE; three, stable organic growth; and four, target EBITDA of $750,000 to $2 million. We intend to pay a fair price and require flexible terms that build in an appropriate buffer.

Based on the above criteria, we are pleased to share that EMERGE has amassed a deep and growing pipeline of over 14 companies in both direct-to-consumer as well as B2B areas in grocery and golf across Canada and the US.

Next, some commentary on our Q3 outlook.

We are pleased to share that the trends we are seeing in Q3 to date continue to be positive.

For Q3 2025, EMERGE management expects to achieve another quarter of double-digit revenue growth and positive adjusted EBITDA.

truLOCAL, our Canadian meat and seafood subscription brand, is expected to be a benefactor of the Buy Canadian movement with continued momentum. Despite the fact that Q3 is historically a seasonal quarter for this business, given some members pause memberships while on vacation notwithstanding, we are seeing continued positive organic growth year over year.

Our discounted golf experiences and products vertical, which includes UnderPar, JustGolfStuff, and now T2G, is expected to continue to gain from the weakening macro climate given the recession-friendly nature of the business model. T2G in particular continues to exhibit strong double-digit growth and overall momentum in its second quarter under EMERGE.

Next, I will take a moment to list our top priorities for the remainder of 2025 to, one, continue to drive organic growth across both our grocery and golf verticals; two, to extract synergies and operational efficiencies to drive profitability, particularly with T2G; three, to advance accretive tuck-in acquisition opportunities in grocery and golf; and four, to opportunistically export avenues to enhance cash flow and reduce interest expense.

To sum up, Q2 was a remarkable turning point in this company’s history. We have delivered our strongest quarter of revenue growth, profitability, and cash flow generation since we embarked on this refresh journey centred around grocery and golf verticals.

We are fortunate to house brands that are not only managing to survive but, in fact, are thriving in this unprecedented macro climate.

Our more streamlined strategy and direct oversight of our brands continues to pay dividends, and we are excited to build on this momentum.

Finally, I would like to offer my sincere gratitude to our resilient and determined team, board, shareholders, and trusted partners as we deliver what we consider to be an exceptional quarter.

We look forward to building on this momentum during the second half of 2025.

With that, I will now turn the call over to Dasha for a review of our financial results.

Dasha Enenko — Chief Financial Officer, EMERGE Commerce Ltd.

Thanks, Ghassan.

So fiscal Q2 2025 marked our first quarter of reporting with T2G, acquired in April 2025.

In Q2 2025, our gross merchandise sales, or GMS for short, which is a non-GAAP measure representing the total dollar value of customer purchases of goods and services throughout our brands, excluding applicable taxes and net of discounts and refunds, grew 39 percent to $11.4 million compared to $8.2 million in the same period last year.

Following the Tee 2 Green acquisition, sales between Tee 2 Green and JustGolfStuff were eliminated from reported GMS, with only sales to external customers included.

Revenue for the quarter increased by 70 percent to $8.5 million, up from $4.98 million in the prior period, driven by the strong performance of T2G as well as positive organic growth across both the grocery and golf verticals.

Gross profit for the quarter was $3.1 million compared to $2.1 million in the comparative period. The reported gross profit includes a fair value inventory increment of $0.38 million recorded as part of business acquisition accounting. And excluding this non-cash accounting adjustment, gross profit would have been $3.5 million, translating to a 41 percent gross margin, approximately in line with the prior period.

Net income from continuing operations improved to $0.2 million compared to a net loss of $0.62 million in the prior period.

Net income improved to $0.2 million compared to net loss of $0.5 million in the same quarter last year.

The reported net income from continuing operations and net income do include a non-cash fair inventory increment of $0.38 million recorded as part of business acquisition accounting. Excluding this non-cash accounting adjustment, net income from continuing operations would have been approximately $0.6 million.

Adjusted EBITDA increased to $0.96 million, an improvement of approximately $1 million from an adjusted EBITDA loss of $40,000 in the prior period.

These improvements reflect the strong performance of the T2G acquisition, positive organic growth across our grocery and golf verticals, reduced SG&A, and the discontinuation of unprofitable business lines.

Finally, cash on hand as of June 30, 2025, grew to $3.5 million compared to $2.3 million at the end of the same quarter last year. This cash balance was achieved despite the $1.1 million cash outlaid for the Tee 2 Green acquisition, supported by $2 million in cash generated from operating activities in Q2, compared to a cash outflow of $0.5 million in the prior period.

I'll now pass the mic back to Ghassan for some closing remarks. Thank you.

Ghassan Halazon

Thank you, Dasha.

Approximately two years ago, EMERGE was faced with some tough choices. The e-commerce sector at large had come off the artificially high peak-pandemic levels. At the same exact time, rising interest rates further burdened our cash flows, a rather prevalent story in debt-fueled, growth-by-acquisition companies, particularly in the e-commerce aggregator space where we saw most players completely wiped out.

It was then and there that we made the painful but necessary decision to relentlessly prioritize paying down debt, primarily by selling off noncore assets and refocusing the business around fewer, more compelling vertical opportunities to build something lasting.

We chose to focus on grocery and golf, focus being the key word. Fast-forward to today and EMERGE has reduced its net debt position by approximately 80 percent, inclusive of our $3.5 million cash position at the end of Q2, a remarkable feat that took tremendous discipline and focus.

In parallel, we have reignited organic revenue growth for five quarters in a row. We drove close to $1 million in adjusted EBITDA in Q2 alone, and we generated $2 million in cash flow from operations with our overall cash position growing quarter over quarter and year over year without a capital raise.

Underpinning our Q2 success is our carefully crafted acquisition of Tee 2 Green and subsequent supercharged playbook of this historically flat business to strong double-digit growth and profitability.

That is the power of the new and improved EMERGE playbook: focus, growth, synergy, lower debt, higher profit.

We hope investors are satisfied to see that we continue to deliver on our key priorities with precision, including in Tee 2 Green’s first quarter under EMERGE ownership.

We now kick off a new chapter in this company’s history, the era of disciplined strategic growth.

With that, thank you everyone for joining us today and for your continued interest in EMERGE Commerce.

We'll now open up the call if there are any questions from analysts.

Q&A

Operator

Thank you, sir. Ladies and gentlemen, if you do have any questions at this time, please press *, followed by 1 on your touch-tone phone. You will then hear a prompt that your hand has been raised. And should you wish to decline from the polling process, please press *, followed by 2. And if you're using a speakerphone, you will need to lift the handset first before pressing any keys. Please go ahead and press *, 1 now if you have any questions.

Once again, ladies and gentlemen, please press *, 1 now if you do have any questions.

And your first question will be from Telfer Hanson at Liberty North Capital. Please go ahead.

Telfer Hanson — Liberty North Capital

Good morning, Ghassan. How are you?

Ghassan Halazon

I'm well, thanks, Telfer. Nice to hear from you.

Telfer Hanson

Question is around your M&A strategy. Grocery is a relatively broad category. Do you have any specific verticals within grocery that are your focuses?

Ghassan Halazon

Yeah. Thank you. And it's a fair question.

And one of the areas of focus for us is the word niche when we talk about e-commerce. Going too broad is a recipe for disaster. We certainly don't want to be competing with the big boys on things like same-hour delivery and like completely unreasonable expectations that require billions of dollars of investment.

So the name of the game for us is centring around our flagship brand, truLOCAL, which essentially we view as the ButcherBox of Canada. ButcherBox, for those of you who don't know, is a $500 million revenue company in the US alone. They're the market leader there. We are the market leader in Canada.

So our intent and our focus is to zone in on direct competitors. We have a number of smaller regional players in the truLOCAL segment. So think meat and seafood subscription in BC only or in Alberta only or in Ontario only. We are the only national player right now in D2C subscription for meat and seafood. So there's a lot of geographical expansion possible there.

We also are interested in adjacent synergistic areas. For example, D2C pet subscription, pet food subscription. So I would equate that to the truLOCAL for pets. We're certainly speaking to a few groups around that category.

If some of you have followed and might recall, we also have done very well during holiday seasons with corporate gifting. So in the US, there's a company called Omaha Steaks, which some of you may have heard, which I believe is also a $500 million to $1 billion corporate gifting platform for meat and seafood. And so we've done very well in the past, but we really haven't organized in any meaningful way around corporate gifting. So there's certainly possibilities within the corporate gifting B2B space that we would consider.

And then finally, anything that enables us to do what we do better or to take advantage of what we already do well and to monetize it, be that fulfillment or vendors we're working with or certain technologies that could advance truLOCAL itself or our portfolio, we would certainly take a look there.

Telfer Hanson

Thank you, Ghassan.

Ghassan Halazon

Thank you, Telfer.

Operator

Thank you. Again, ladies and gentlemen, if you have any questions, please press *, followed by 1.

And at this time, sir, it appears we have no other questions registered. Please proceed.

Ghassan Halazon

Thank you. That's it for today. Once again, I appreciate everyone's time and tuning in. Have a nice day. And most importantly, buy Canadian. Thank you, everyone.

Operator

Thank you, sir. Ladies and gentlemen, this does indeed conclude your conference call for today. Once again, thank you for attending, and at this time, we do ask that you please disconnect your lines.