Pivotree Reports Second Quarter of Fiscal 2021 Results

Total bookings growth of 30% and acquisition of Bridge Solutions Group to contribute to second half growth

TORONTO, August 26, 2021 – Pivotree Inc. (TSXV:PVT) ("**Pivotree**" or the "**Company**"), a leader in frictionless commerce solutions, today reported financial results for the three and six months ended June 30, 2021. All amounts are expressed in Canadian dollars unless otherwise stated.

"During the second quarter we continued to see steady new bookings from our core target market of large retail and branded manufacturers that are advancing Frictionless Commerce strategies," said Bill Di Nardo, CEO of Pivotree. "We expect many of the projects signed in the first half of year will go live in the second half, and this will drive higher professional services billings activity and set the stage for a growth in managed services as we transition these customer environments to provide ongoing application support, optimization and cybersecurity services."

Added Mr. Di Nardo, "The organic investments we've made in new technologies and platforms like VTEX are having a strong and positive impact on our business, and with the acquisition of Bridge and others to follow, we will be in a position to accelerate the delivery, at scale, of key products and services that bring end-to-end frictionless experiences for our customers."

Second Quarter 2021 Financial Highlights

(All comparisons are relative to the three-month period ended June 30, 2020 unless otherwise stated):

- Total Revenue of $14.4 million, a decrease of 3.7% in Canadian dollars and 4.6% growth in constant currency over the same period last year
- Managed Services Revenue of $8.9 million, a decrease of 19.2%, or a decrease of 10.5% on a constant currency basis, driven by foreign exchange and net customer churn from legacy customers that took place in the later part of 2020 and first half of 2021
- Professional Services Revenue of $5.5 million, an increase of 39.9%, or an increase of 47.4% on a constant currency basis driven by an improvement in project activity over the past four quarters
- Annual Recurring Revenue[1,2] as at June 30, 2021 of $39.9 million, a 17.6% decline from the prior year period, and a decline from $41.9 million as at March 31, 2021
- Total Bookings[1,2] of $10.0 million, an increase of 30.0.%, driven by new customer wins, extending our relationship with existing professional services customers, and the results of our investments to expand support of new technologies such as VTEX
- Gross profit of $6.3 million representing 43.6% of total revenue; adjusting for revenues and cost of revenue related to the new investment areas and growing categories within professional services, the total gross profit as a percentage of total revenue is approximately 46.5%
- Net loss of $2.9 million, a decline from net income of $0.3 million for the prior year period
- Adjusted EBITDA[2] of ($1.7) million, a decline from positive adjusted EBITDA of $2.3 million for the prior year period due to lower gross profit and investments to support growth initiatives
- Adjusted Free Cash Flow[2] of ($2.6) million, a decline from $1.6 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 2021 Business Highlights

- VTEX and Pivotree selected by CAE to launch a new B2B marketplace and subsequently expanded the relationship for additional CAE commerce sites
- Selected to implement direct to consumer eCommerce channel for a global electronics manufacturer based on SAP Commerce Cloud
- Developed a Cloud based Disaster Recovery solution for Oracle Commerce on premises customers that has been deployed by an existing large branded manufacturer customer
- Released update to the SaaS based DIVE Machine Learning Platform adding advanced image and text recognition capabilities to automate master data management (MDM) and product information management (PIM) tasks
- Expanded a services agreement with a global fashion retailer to replace its legacy order management system with a next generation solution based on Fluent Commerce
- Subsequent to quarter end, Pivotree signed a definitive agreement to acquire Bridge Solutions Group Corp ("Bridge Solutions Group"), a supply chain service provider and Pivotree partner specializing in order management services, warehouse management services and application integration, for US$6.0 million consisting of US$5.0 million in cash and 194,459 common shares of the Company on closing, with potential of additional amounts through earn-out payments based on the achievement of certain milestones
    - As an IBM Premier Business Partner and Fluent Commerce Partner, extends Pivotree's ability to deliver end-to-end frictionless experiences for customers by providing a single entity to manage their front and back end commerce operations
    - Adds the Yantra Commerce solution set to Pivotree's portfolio of products and services, including the Yantra WMS, IMS and Control Tower products that provide visibility, analytics and supply chain integration tools tailored to real world IT and business needs
    - For the trailing twelve-month period ended June 2021, Bridge Solutions Group generated revenue of USD$8.1 million with approximately 29% of its revenue generated from managed services and 71% from professional services. Bridge Solutions Group's 2021 total gross profit margin percentage to date is greater than 45%, and over the past 3 years has experienced strong growth in demand for its solutions with a revenue compound annual growth rate (CAGR) in excess of 17% (based on H1-2021 run-rate revenues)

Second Quarter 2021 Results

Selected Financial Measures

	Three months ended June 30,				Six months ended June 30,			
	2021	2020	$ Change	% Change	2021	2020	$ Change	% Change
	$	$	$	%	$	$	$	%
Managed Services	8,878,875	10,984,540	(2,105,664)	-19.2%	18,344,822	21,266,045	(2,921,223)	-13.7%
Professional Services	5,470,754	3,910,568	1,560,186	39.9%	11,009,696	9,540,573	1,469,122	15.4%
Total Revenue	**14,349,630**	**14,895,108**	**(545,478)**	**-3.7%**	**29,354,518**	**30,806,618**	**(1,452,101)**	**-4.7%**
Total Gross Profit	**6,260,982**	**8,275,990**	**(2,015,008)**	**-24.3%**	**12,998,786**	**16,921,564**	**(3,922,778)**	**-23.2%**
Percentage of total revenue	43.6%	55.6%			44.3%	54.9%		

Key Performance Indicators

	Three months ending June 30,		YoY Change		Six months ending June 30,		YoY Change	
	2021	**2020**	**Change**	**% Change**	**2021**	**2020**	**Change**	**% Change**
Total ARR [(1)]	**39,900,952**	**47,339,700**	**-7,438,748**	**-15.7%**	**N/A**	**N/A**	**N/A**	**N/A**
ARR Bookings	2,296,155	3,505,644	-1,209,489	-34.5%	4,075,543	6,305,604	-2,230,061	-35.4%
Non-Recurring Bookings	7,704,286	4,188,077	3,516,209	84.0%	16,926,085	7,937,031	8,989,054	113.3%
Total Bookings	**10,000,441**	**7,693,721**	**2,306,720**	**30.0%**	**21,001,628**	**14,242,635**	**6,758,993**	**47.5%**
Net Revenue Retention Rate in Constant Currency [(1)]	**77.7%**	**120.4%**	**-42.7%**	**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 June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Adjusted EBITDA	**(1,660,565)**	**2,270,236**	**(2,553,276)**	**3,742,587**
Adjusted Free Cash Flow	**(2,552,421)**	**1,594,675**	**(3,685,951)**	**2,344,630**

Conference Call

Management will host a live Zoom Video Webinar on Thursday, August 26, 2021 at 8:30 am ET to discuss these second quarter 2021 results. The webinar can be accessed through the following registration link: https://pivotree.zoom.us/webinar/register/WN_iHkz76nWRAyrFCWfjsT-cw. 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 six months ended June 30, 2021 and 2020.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	$	$	$	$
Revenue	14,349,630	14,895,108	29,354,518	30,806,618
Cost of revenue….........	8,088,648	6,619,118	16,355,731	13,885,054
Gross profit…..............	6,260,982	8,275,990	12,998,786	16,921,564
Operating expenses				
General and administrative....	2,156,998	1,292,425	4,536,218	3,183,061
Sales and marketing	1,357,404	669,259	2,558,640	1,359,463
Research and	463,710	400,884	883,161	912,095

development				
IT and Operations...............	4,020,561	3,689,937	7,864,274	7,849,008
Loss (gain) on foreign exchange.........................	231,937	(10,573)	417,083	(52,289)
Amortization and Depreciation	1,086,916	1,121,166	2,193,514	2,238,310
Restructuring and Other.......	106,550	290,026	207,478	343,151
Interest………..........................	103,598	511,901	162,192	980,220
	9,527,673	7,965,027	18,822,559	16,813,018
Income before other items…....	(3,266,691)	310,963	(5,823,773)	108,546
Other items				
Interest income…...	84,207	-	140,563	-
Operating loss	(3,182,485)	310,963	(5,683,210)	108,546
Current taxes….....................	35,000	173,700	63,000	193,000
Deferred taxes…..................	201,938	(205,200)	201,938	(228,000)
Net income (loss)…............................	(2,945,547)	279,463	(5,418,272)	73,546
Other comprehensive income (loss)				
Foreign translation adjustment….....	(261,100)	626,430	(442,804)	670,528
Comprehensive income (loss)….................	(3,206,646)	905,893	(5,861,076)	744,074
Income (Loss) per share - basic	(0.12)	0.04	(0.22)	0.01
Weighted average number of common shares outstanding - basic.....................	24,775,363	7,114,750	24,755,303	7,114,750

Cash Flows

The following table presents cash and cash equivalents as at June 30, 2021 and 2020, and cash flows from operating, investing, and financing activities for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		**Six months ended June 30,**	
	2021	2020	2021	2020
	$	$	$	$
Cash and cash equivalents, beginning of period …	47,896,676	8,756,627	53,942,263	2,984,657
Net cash provided by (used in):				
Operating activities.........................	55,228	3,718,400	(5,445,275)	2,485,927
Investing activities..........................	(175,099)	(2,329,437)	(446,950)	(4,643,354)
Financing activities.........................	(282,581)	(637,972)	(555,814)	8,680,387
Effect of foreign exchange on cash and cash equivalents	-		-	-
Net increase (decrease) in cash and cash	(402,452)	750,991	(6,448,039)	6,522,960
Cash and cash equivalents, end of period ……......	47,494,224	9,507,617	47,494,224	9,507,617

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 to 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 more 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,	
	2021	2020	2021	2020
Net Income (loss)	**(2,945,547)**	**279,463**	**(5,418,271)**	**73,546**
Depreciation & Amortization	1,086,916	1,121,166	2,193,514	2,238,310
Interest	103,598	511,901	162,192	980,220
Taxes	(236,938)	31,500	(264,938)	35,000
EBITDA	**(1,991,971)**	**1,944,030**	**(3,327,504)**	**3,327,076**
Stock-Based Compensation	224,857	36,180	566,750	72,360
Restructuring & Other	106,550	290,026	207,478	343,151
Adjusted EBITDA	**(1,660,565)**	**2,270,236**	**(2,553,276)**	**3,742,587**

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 expense 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. Prior year started to recognize the options expense in the fourth quarter of 2020

(4) Restructuring & Other expenses are related to restructuring, IPO costs, extraordinary events that are not considered an expense indicative of continuing operations.

Free Cash Flow

Free Cash Flow is defined as cash provided by (used in) operating activities less additions to property and equipment, deferred development costs and principal lease payments. The following table reconciles our cash flow from (used in) operating activities to Free Cash Flow:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Adjusted EBITDA	**(1,660,565)**	**2,270,236**	**(2,553,276)**	**3,742,587**
Cash Financed Capital Expenditure	94,690	13,939	352,832	70,605
Payment of Capital Leases	337,247	455,509	685,725	886,044
Deferred Development	80,409	206,113	94,118	441,309
Adjusted Free Cash Flow	**(2,552,421)**	**1,594,675**	**(3,685,951)**	**2,344,630**

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.

Net Revenue Retention Rate and Annual Recurring Revenue for the three and six months ended June 30, 2021 are as follows:

	Three months ending June 30,		YoY Change		Six months ending June 30,		YoY Change	
	2021	**2020**	**Change**	**% Change**	**2021**	**2020**	**Change**	**% Change**
Total ARR [(1)]	**39,900,952**	**47,339,700**	**-7,438,748**	**-15.7%**	**N/A**	**N/A**	**N/A**	**N/A**
ARR Bookings	2,296,155	3,505,644	-1,209,489	-34.5%	4,075,543	6,305,604	-2,230,061	-35.4%
Non-Recurring Bookings	7,704,286	4,188,077	3,516,209	84.0%	16,926,085	7,937,031	8,989,054	113.3%
Total Bookings	**10,000,441**	**7,693,721**	**2,306,720**	**30.0%**	**21,001,628**	**14,242,635**	**6,758,993**	**47.5%**
Net Revenue Retention Rate in Constant Currency [(1)]	**77.7%**	**120.4%**	**-42.7%**	**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 is a leading global commerce and MDM services provider. It is an end-to-end vendor supporting clients from strategy, platform selection, deployment, and hosting through to ongoing support. It operates as a single expert resource to help companies adapt relentlessly in an ever-changing digital commerce landscape. Leading and innovative clients rely on Pivotree’s deep expertise to choose enterprise-proven solutions and design, build, and connect critical systems to run smoothly at defining moments in a commerce business. Pivotree serves as a trusted partner to over 170 market-leading brands and forward-thinking B2C and B2B companies, including many companies in the Fortune 1000. With offices and customers in the Americas, EMEA, and APAC, Pivotree is widely recognized as a high-growth company and industry leader around the globe. For more information, visit http://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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