



Pivotree Announces First Quarter 2023 Results

Resilient start to the year underpinned by managed services revenue growth of 12% and 270 bps improvement in Adjusted EBITDA margin

TORONTO, May 12, 2023 – Pivotree Inc. (TSXV:PVT) (“**Pivotree**” or the “**Company**”), a leader in frictionless commerce solutions, today reported financial results for the three month period ended March 31, 2023. All amounts are expressed in Canadian dollars unless otherwise stated.

“During the first quarter we saw a healthy level of bookings activity, although we are seeing the effects of extended timelines to close deals when compared to prior year experiences when we were hitting new records,” said Bill Di Nardo, CEO of Pivotree. “At the same time, customers are extending the life of their current commerce environments and investments in the data and supply chain remain on the critical path. This is adding growth and stability to our recurring revenue, and alongside a solid backlog of multi-quarter project deals, we believe we have a strong foundation to achieve our profitability objectives for the year.”

Letter to Shareholders

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.

First Quarter 2023 Financial Highlights

(All figures are in Canadian dollars and all comparisons are relative to the three-month period ended March 31, 2023 unless otherwise stated):

- Total Revenue of \$25.0 million, an increase of 2.2% or a decrease of 3.6% in constant currency.
- Managed Services Revenue of \$11.0 million, an increase of 12.0%, or 5.8% in constant currency. The year-over-year growth was primarily the result of upsell on existing customers and addition of new customers to offset declines in Oracle revenue.
- Professional Services Revenue of \$14.0 million, a decrease of 4.3% or 9.9% in constant currency. The year-over-year decline was primarily due to a shift of customer revenue from professional services to managed services and delayed close of current pipeline deals.
- Annual Recurring Revenue^{1,2} as at March 31, 2023 of \$45.9 million, an increase of \$2.4 million or 5.6% or a decrease of \$0.2 million or 0.5% in constant currency. The increase was related primarily to the growth of Data Management recurring services as well as upsell within existing customers.
- Total Bookings^{1,2} of \$16.1 million, a decrease of \$2.9 million or 15.3% year over year.
- Gross profit of \$11.6 million, an increase of 11.3% and representing 46.3% of total revenue compared to \$10.4 million or 42.6% of revenue for the prior year period.
- Net loss of \$1.4 million compared to a net loss of \$3.3 million for the prior year period.
- Adjusted EBITDA¹ of \$0.9 million, representing 3.5% of total revenue, compared to adjusted EBITDA¹ of \$0.2 million, representing 0.8% of total revenue, for the prior year period.
- Adjusted Free Cash Flow² of \$0.3 million compared to adjusted free cash flow of (\$0.4) 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.

First Quarter 2023 Business Highlights

- Launched Commerce as a Service (CaaS) as an innovative way to implement, deliver and fund ecommerce projects and digitally transform business operations quickly through a recurring subscription model that eliminates heavy upfront costs as well as the need for capital investment approvals
- Commerce added its first new logo deal to implement Spryker for a life sciences company. The Company also landed a cross business unit Commerce, Data and Supply Chain deal with a large automotive services company. Furthermore, in Q1, we observed sustained renewal and expansion bookings on Oracle and SAP platforms, demonstrating our customers' continued investment in their digital environments.
- Data Management entered the quarter with a strong backlog and added several new logos including an HVAC equipment parts and supplier, a financial services company, and an electronics wholesaler and supplier.
- Supply Chain continued to expand the pipeline for its Pivotree WMS and Control Tower solutions while growing Pivotree IP revenue sequentially. The development team has completed 6 microservices as part of Pivotree WMS with 7 microservices under development this year.

First Quarter 2023 Results

Selected Financial Measures

Three months ended March 31, 2023				
	2023	2022	\$ Change	% Change
	\$	\$	\$	%
Managed Services.....	11,011,154	9,828,477	1,182,677	12.0%
Professional Services	14,035,213	14,668,647	(633,434)	-4.3%
Total Revenue	25,046,367	24,497,124	549,243	2.2%

Key Performance Indicators

	Three Months Ending March 31		YoY Change	
	2023	2022	Change	% Change
Total ARR (1)	45,919,552	43,482,436	2,437,116	5.6%
ARR Bookings	878,698	1,479,327	(600,629)	(40.6%)
Non-Recurring Bookings	15,231,810	17,532,941	(2,301,131)	(13.1%)
Total Bookings	16,110,508	19,012,268	(2,901,760)	(15.3%)

Net Revenue Retention Rate in Constant Currency (1)	95.1%	88.5%	6.6%
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Note:

(1) Point-in-time metrics for current quarter only

Non-IFRS Metrics

	Three months ended March 31, 2023	
	2023	2022
Adjusted EBITDA	881,877	205,752
Adjusted Free Cash Flow	294,960	(391,532)

Conference Call

Management will host a live Zoom Video Webinar on Friday, May 12, 2023 at 8:30 am ET to discuss these first quarter 2023 results. The webinar can be accessed through the following registration link: https://pivotree.zoom.us/webinar/register/WN_yL48kLoBQj-pbsvfCJh7tg.

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

Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for the three months ended March 31, 2023 and 2022.

	Three months ended March 31,	
	2023	2022
	\$	\$
Revenue	25,046,367	24,497,124
Cost of revenue.....	13,441,511	14,072,847
Gross profit.....	11,604,856	10,424,277
Operating expenses		
General and administrative....	3,277,321	3,209,796
Sales and marketing	2,849,260	2,151,425
Research and development	838,513	1,048,498
IT and Operations.....	3,776,061	3,760,687
Loss (gain) on foreign exchange.....	(6,451)	68,792

Amortization and Depreciation	1,625,873	2,686,669
Stock based compensation....	238,574	268,531
Restructuring and Other.....	130,582	113,709
Interest.....	109,411	71,910
	<hr/>	<hr/>
	12,839,142	13,380,017
	<hr/>	<hr/>
Income before other items.....	(1,234,286)	(2,955,740)
Other items (expenses)	0	(0)
Interest income.....	11,724	20,673
Operating loss	(1,222,562)	(2,935,068)
Current taxes.....	(195,806)	(580,326)
Deferred taxes.....	-	212,394
	<hr/>	<hr/>
Net income (loss).....	(1,418,368)	(3,302,999)
	<hr/>	<hr/>
Other comprehensive income (loss)		
Foreign translation adjustment.....	-	1,971,814
	<hr/>	<hr/>
Comprehensive income (loss).....	(1,418,368)	(1,331,185)
	<hr/>	<hr/>
Income (Loss) per share - basic	(0.05)	(0.13)
Weighted average number of common shares outstanding - basic.....	26,625,010	25,298,992

Cash Flows

	Three months ended March 31, 2023	
	2023	2022
	\$	\$
Cash and cash equivalents, beginning of period ...	17,346,028	24,570,287
Net cash provided by (used in):	-	-
Operating activities.....	(1,079,853)	(4,160,077)
Investing activities.....	(205,276)	(189,266)
Financing activities.....	(222,248)	(262,233)
Effect of foreign exchange on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash	(1,507,377)	(4,611,576)
Cash and cash equivalents, end of period	15,838,651	19,958,711

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 March 31, 2023		
	2023	2022
Net Income (loss)	(1,418,368)	(3,303,001)
Depreciation & Amortization (1)	1,625,873	2,686,669
Interest (2)	109,411	71,910
Taxes	195,806	367,932
EBITDA	512,722	(176,490)
Stock-Based Compensation (3)	238,574	268,531
Restructuring & Other (4)	130,582	113,711
Adjusted EBITDA	881,877	205,752

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 March 31, 2023		
	2023	2022
Adjusted EBITDA	881,877	205,752
Cash Financed Capital Expenditure	(205,275)	(140,350)
Payment of Capital Leases	(272,231)	(336,108)
Deferred Development	0	(48,916)
Interest Expense	(109,411)	(71,910)
Adjusted Free Cash Flow	294,960	(391,532)

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 months ended March 31, 2023 are as follows:

	Three Months Ending March 31		YoY Change	
	2023	2022	Change	% Change
Total ARR (1)	45,919,552	43,482,436	2,437,116	5.6%
ARR Bookings	878,698	1,479,327	(600,629)	(40.6%)
Non-Recurring Bookings	15,231,810	17,532,941	(2,301,131)	(13.1%)
Total Bookings	16,110,508	19,012,268	(2,901,760)	(15.3%)
Net Revenue Retention Rate in Constant Currency (1)	95.1%	88.5%	6.6%	

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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