Pivotree First Quarter 2026 Financial Results - Transcript

Date: May 14, 2026

Andy Ramsey: Good morning everyone, and welcome to the Pivotree Q1 2026 earnings call for the three months ended March 31, 2026. All participants are in listen-only mode. Following the presentation, we will open for analyst questions.

Pivotree would like to remind listeners that certain information discussed today may be forward-looking in nature, reflecting the Company's current views with respect to future events. Any such information is subject to risks, uncertainties, and assumptions that could cause actual results to differ materially. For more information on risks and uncertainties, please refer to Pivotree's public filings available on SEDAR.

During this call we'll reference certain non-IFRS financial measures. Although we believe these measures provide useful supplemental information about our financial performance, they're not recognized measures and do not have standardized meanings under IFRS. Please see our MD&A for additional information regarding our non-IFRS financial measures, including reconciliations to the nearest IFRS measures. Now I'd like to turn the call over to Pivotree's CEO, Bill Di Nardo.

Bill Di Nardo: Thank you Andy, and good morning everyone. Thanks for joining us on our Q1 2026 conference call. With me as usual, is Mo Ashoor, our Chief Financial Officer. As we do each quarter, we've published a CEO letter alongside these results. It's available on our website and filed on SEDAR. I'll be covering key themes from that letter today.

Q1 was the kind of transition quarter we expected. Solid profitability and cash generation, with real strategic effort being redirected toward retooling our service catalog around AI-enabled delivery. I'm really proud of how the team is executing through this transition. We are certainly living through interesting and exciting times. Let me start with a quick grounding in what Pivotree does and why the market opportunity ahead of us is significant. I get a lot of requests after these quarterly earnings to please explain the business as simply as possible and with as few acronyms as possible. We are going to give a little bit of that background to set up context for the results we keep talking about.

The core problem we solve is really about a simple but massive challenge. Businesses lose millions of dollars due to wrong product specs, missing details, and incompatible data formats across their enterprise systems. And the enterprise systems we are talking about is commerce systems. Our solution is really ensuring enterprise clients have the right data, in the right format, in the right systems, increasingly at AI-powered speed and a fraction of traditional cost.

The market shift we're seeing is profound: client conversations have genuinely moved from "should we invest in AI?" to "how do we deploy AI against specific outcomes on top of our data?" That is exactly the conversation where our domain expertise, what we call Real Intelligence (RI), is most relevant. We are applying AI not as a buzzword, but as a practical accelerant on top of decades of accumulated domain knowledge. In commerce platforms, data and integration. RI plus AI is our operating philosophy for 2026. So the result is, we are delivering services that are better, cheaper and faster than ever before, and in the process, we are also preparing our clients for the future of agentic commerce.

Let me show you more practically what that means, really quickly. So every enterprise commerce transaction flows through three interconnected layers. Understanding them is key to understanding our business. At the core is data. Clean, accessible, single source of truth, data. Our multi-year investment in data quality is increasingly the most strategic layer as AI becomes more prevalent and relies even more heavily on good, clean data. The integration layer, it connects the data across commerce systems.

We have some acronyms here, but OMS (Order Management Systems), ERP (Enterprise Resource Planning), like your financial systems. E-commerce platforms, master data management systems, CRM (Client Relationship Management). Warehouse, WMS. All of these integrations are required in order to move the data to where it is most needed. It goes to the systems layer, and where it is activated, and it is activated to execute commerce functions. Every product search, every checkout, and return is a chain reaction that flows through all these systems and across the integration. The biggest change in the last 12 - 18 months is now AI is now permeating all three layers simultaneously. Helping to clean data, connect data and increasingly activate data autonomously. All of this data gets triggered when a buyer or prospect begins their search.

Even just the act of searching triggers all of this. What do I have, what's available, and what price is it at. In order for that to work, all these systems have to work in concert. The full impact gets felt effectively in a great system when the client actually checks out and buys the thing they were looking for and it does not get returned. Similarly, on the business side, the back office leverages all those same systems, getting information to make the system work. The back office triggers all the same effects. So this is the full ecosystem we help customers design, build, and optimise We've been doing this for many, many years. We've really been driving AI penetration into it, but it is that combination of all those years of experience doing this with AI that makes our AI systems work effectively. Before we get into the numbers, I think it's really important to understand the changing landscape. There are multiple parallel shifts going on in the market.

Clients are moving from experiments to projects and programs with AI. Initiatives are moving from assistive, a simple search, to agentic, far more complex, also far more valuable. They're now needing to move to operational orchestration rather than just writing code with AI. Domain knowledge and expertise is providing the critical link on these multiple shifts. As an investor, you're probably hearing all kinds of stuff about software being dead.

You've certainly seen it in the valuations of many of the software companies today, but it isn't dead. All categories are changing to adapt to AI, but software is not dead by any stretch of the imagination. Customization takes on new meaning now. AI makes customization faster and easier. Complex core applications are not going away soon.

Think about ERP. Think about commerce systems. They're big. They're complex. AI is not going to replace those in the short term.

Software around the fringes, however, is being tested for replacement by AI. Those smaller niche solutions that solve a very specific problem are starting to get replaced by AI, or at least experiments running on them. The more focused, narrow, and needing more client-specific workflows that historically required customization is being tested for AI-specific solutions. The new is looking a lot like a return to the old, build it yourself, but it's not because software is going to evacuate and all this. Next generation orchestration really is the new digital nervous system.

AI initiatives are growing in number and complexity. Agents are scaling management complexity. As a result, orchestration and managed services is going to be part of that next generation. Again, it's really important to have the context of what's going on out in the marketplace so you understand the transformation we're trying to take the company through and then make sense of some of the numbers that we're going to share with you. Again, one of the things that we're continuing to harness is this AI capability embedded in our solutions, and you see that in our MIPS.

Revenue was $4 million on MIPS in Q1, 26, was up 7.9% year-over-year, a lot of that being driven by one of the things we talked about in the past, transactional SKU volumes. We really accelerated those this quarter, and that, again, helped provide a lift in our MIPS revenue. Adjusted EBITDA was 1.2 million, representing close to 9% margin, our sixth consecutive quarter of positive adjusted EBITDA, and net income was half a million, up meaningfully from the $230,000 in Q1 of 25, and again, our fifth consecutive quarter of positive net income. Now, I want to address the bookings number head-on because you've heard me talk about how important bookings are as a leading indicator, and while 3.8 million in MIPS booking is not bad, it's clearly not on trend, but I think it's really important to have context. We had a meaningful contract renewal that was expected to sign in Q1 for continuing work that was already underway, and the signature slipped into the quarter-end due to client legal delays.

That contract was signed, it was a $2.5 million contract, and about $800,000 of that was MIPS, so, forgetting the time slippage, the MIPS bookings would have been closer to 4.6, and that's closer to our regular pace. Again, bookings are an indicator of revenue, and what's important to note on this one is that booking was already going to be in the revenue and is in the revenue, so we're very, very factually correct in our reporting, which is why you see the 3.8, but practically speaking, we hit the 4.6 that we were expecting and needed to continue the MIPS trend. With that, I'm going to hand it over to Mo to take you through these bookings.

Moataz Ashoor: Great. Thanks, Bill. So let me walk you through the financials for the 3 months ended March 31st, 26, and we'll start with the total contract value bookings. So total contract value bookings were $9.4 million in Q1 of 26.

The Professional Services and MIPS portion made up most of it at $8.9 million. So as Bill described, $2.5 million of bookings from an existing customer was delayed into Q2. This booking is inclusive of the $800,000 of MIPS. It was largely, again, as Bill described, an extension to provide funding for the rest of the year on an existing account and project.

So normalizing for Q1 for this late booking, PS and MIPS would have totaled $11.4 million, which is more a representative picture for our PS and MIPS booking for the quarter.

PS bookings were $5.1 million in Q1 26 or $6.8 million if you include the PS portion of that $2.5 million. The year-over-year decline reflects the completion of significant multiphase projects and also a delay in some project start dates.

But despite, we had a very strong quarter in adding new logos, those deals were shorter duration, which obviously hence means smaller average deal size, but we are excited about the potential for expansion within those customers and should show in future quarters bookings.

MIPS bookings was $3.8 million in Q1 26 or $4.6 million if you include a portion of that delayed bookings, which you'll see in Q2. The year-over-year decline reflects a significant multiyear contract that was recorded in Q1 of 2025. So that elevated the prior year comparison. When you normalize for that multiyear contract, we continue to remain in the range of $4 million in MIPS as we've been expecting.

LMS bookings of $446,000, that continues with the expected decline as Oracle ATG customers transition off the platforms. So overall, again, looking forward, with the mentioned $2.5 million delayed bookings that will show up in Q2 and the pipeline we've been building, we still see the demand in the market to support an improved bookings trajectory for our PS and MIPS segments.

So let me turn it over to revenue. So total revenue was $13.9 million in Q1 26. It's down 27.6% year-over-year or just 25% in constant currency. MIPS revenue was $4 million. It was up 8% year-over-year. Again, as described earlier, it's driven by the higher transactional SKU volumes as we deliver faster outcomes through our SKU enrichment process.

Legacy Managed Services, LMS revenue declined 52% to $2.1 million, consistent with the planned wind-down of Oracle ATG customers, which we've anticipated.

Professional Services revenue was $7.9 million. It's down just about 30% or 27% in constant currency. The decline due to the completion of larger multi-phase projects I described earlier, delays in some project start dates and also the impact on some bundled solutions, where we've sold PS outcome-based driven through AI tools, but also includes managed services, which will be higher-margin, longer-term contracts for our business.

We expect the continued near-term revenue moderation as we deliberately convert some T&M PS, to outcome-based PS with managed services follow-on that are both enabled by our AI methodology and tools. This is the right trade for long term. It improves our revenue quality, durability and a longer relationship with our customers.

So let's move to profitability. Q1 2026 was 47.3%. That's the highest gross margin we've had in 3 years, and it's 320 basis points higher than Q1 of 2025. This has been part of the transformation and structural improvement we've deployed just over a year ago.

These results were made possible through improved cost efficiency in our PS delivery. It's our overall MIPS and LMS cost management and our process in delivering SKUs enrichment to our customers and the automation and AI we've applied there.

Adjusted EBITDA was $1.2 million or 8.9% of revenue, essentially flat with the most recent quarter of Q4 2025 at $1.2 million despite lower revenues, but it also benefited from stronger U.S. dollar.

Net income was $574,000, up from $232,000 in the prior year, same to the prior year, marking our fifth consecutive quarter of positive net income. The year-over-year improvement reflects the improved gross margins, the OpEx spend management, lower depreciation and amortization of -- and completion of intangibles and benefits from foreign exchange.

So let me take you to the balance sheet. We ended Q1 with cash of $12.4 million in the books. The year-over-year cash improvement was 90% reflects the sustained profitability transformation. Cash flow from operations was $100,000. The first 2 bars on this chart provides further visibility to the cash drivers.

Within the cash from operations of Q1, you would have seen we generated $1.2 million when you exclude the impact of working capital and foreign exchange. On the second bar, working capital was the biggest consumer of cash as it included the payout of 2025 accrued performance-related variable compensation.

Q1 continued to support building a stronger balance sheet. Working capital expanded to $19.2 million from prior year's $12.9 million. We closed with $12.4 million in cash. We have an undrawn credit facility with National Bank of $8 million and access to a $15 million accordion. We have the balance sheet flexibility to pursue 2026 investment priorities, and we'll continue to explore opportunities to buy back shares through our NCIB.

I'll turn it back to Bill for our strategic priorities. You're on mute, Bill.

William Di Nardo: Think AI would be able to do this automatically by now. Thanks, Mo. So I'd like to just take you through 2 more slides to wrap up. We are in a very interesting and exciting time. But as you can see with the way of the market overall is reflecting on AI’s impact on our industry, it's the messy middle.

Real transformation is rarely linear, and we're right in the thick of things. It's exciting. Our team is excited by many of the challenges. We're excited by the conversations we're having with customers. We're getting opportunities to solve even more problems using our RI and AI capabilities.

And I really take a minute just to take you through what's happening beneath the surface. So the mix shift is real, and the direction is clear. One milestone I'm particularly proud of 25 was the first year that MIPS bookings outpaced LMS bookings on a full year basis. And the quality of those MIPS bookings is improving. We're now signing multiyear managed service deals, many of which incorporate AI-led delivery from day 1. These contracts create the kind of predictable revenue foundation we've been building toward.

But you saw, as Mo talked about, there's trade-offs. We're trading off shorter-term PS projects for longer-term managed service run. And so there is a mix shift that's happening, and it's a good one, but there's going to be some short-term impacts of that, that we've got to address. That transition is not visible in the financials yet.

And again, I want to be really direct. There are a lot of good things happening right now that you simply cannot see in the financial numbers. We're training our people. We're developing more advanced AI practitioners and expanding AI enablement across the entire company.

Delivery, sales, operations, all of it. This is the RI plus AI thesis playing out across the entire company. And our Real Intelligence, and we've got a lot of it in this company is being amplified by AI. It's not theoretical. An integration that used to take an experienced architect 11 days to complete one full integration now takes one day for that same skilled integrator to develop and execute QA, test and produce that code. It's a material savings that our customers are benefiting from.

But as Mo highlighted before, when you were selling time and materials for 11 days' worth of work, you got to change the way you sell a 1-day output. Those are the kind of transformations that are going on across the whole industry. And again, we're excited to be part of that transformation, but it comes with some complexity.

We are seeing the early signals. Gross margin expanding to 47% isn't by accident. And those PS and MIPS bookings are increasingly including those AI components, and we are trying to shift to an outcome-oriented payment or contracting relationship, which should allow for further margin expansion.

But again, I want to set realistic expectations. You're going to continue to see some volatility in our reported numbers as we move through this transformation. LMS is continuing to decline as expected, but we continue to develop -- deliver for these customers. I'm really pleased when I see them bring us into other parts of the business. So while the LMS revenue is declining, the client revenue retention is actually trending really positively.

MIPS bookings continue to be lumpy by nature, and they're going to be until more of them really are that longer-term managed service. So revenue is not going to grow in a straight line.

We're intentionally prioritizing the long-term quality of our revenue over the short-term shape of any single quarter. So it's not a warning. It's just being really honest about the business transforming. And what matters is the direction of the trend and not a quarterly up or down. So we try to be transparent.

We told you about the example with the $2.5 million booking that you shouldn't be surprised if we've got a really strong booking in Q2, knowing that there was some stuff that really belonged in Q1.

And look, I think the most important message in all of this is we're going through a transformation. We're investing to transform, but we're choosing to do it with discipline. We could invest more aggressively, but we're choosing not to burn cash right now. So we ended Q1 with $12.4 million of cash. That's up almost 100% year ago versus a year ago. And that really is a position of strength.

So we're going faster on this transformation than most companies in our position, and we're doing it without putting the balance sheet at risk. I think the optionality on this is really, really high. Again, those 2 things combined means we can really control our future. So it's an exciting time.

The AI-driven commerce opportunity is real. It's large and Pivotree is increasingly well-positioned to capture it. But we need to be patient with ourselves on how long that full transformation will take. But we also need to keep moving with urgency. The rest of the world is moving quickly, too. And that's exactly what we're doing.

So with that context, I'll wrap it up by saying our priorities remain protect and differentiate the core business by leveraging AI, transform the revenue mix, which we just talked a lot about and maintain positive cash flow.

I think it's going to be an exciting couple of years. It's probably one of the single biggest transformations of industry in our recent memory. I think this is bigger than the dot-com era and the Internet era. This is an exciting time to be in the middle of this transformation.

So I will turn it over to our analysts or analysts now for questions.

Andy Ramsey: Thank you Bill. We will now take questions from our analysts. To ask a question, please click the icon to raise your hand. You'll need to accept permission to speak and unmute. Our first question comes from Daniel Rosenberg from Paradigm Capital. Please go ahead Daniel.

Daniel Rosenberg: First off, I just want to talk about the path to growth. I mean, you guys have been working through this legacy business. It's still producing cash. I just want to understand how you're thinking about what are the kind of key steps and things that we're going to see that get you back to the growth trajectory?

William Di Nardo: Yes. Daniel, I would keep focusing on MIPS. That is the place where we are putting our most of our efforts and energy. We're seeing the greatest conversations happening in the MIPS category. And as it grows, and again, it's going to be a lumpy, bumpy ride for sure. We're seeing it play out in front of us right now. But MIPS is going to be the place we see growth for the future, the growth that is quality growth.

I think the other thing everybody probably needs to be aware of is, look, our PS today, Professional Services, I'll stop using the acronyms, historically has been time and materials and it's been unleveraged by AI. We are literally in the process of transforming all of our Professional Services to leverage AI. And my expectation is as we get close to the end of the year, there will be very little project-based revenue that isn't AI-enabled. And with that AI enablement comes opportunities for recurring in the MIPS.

But I think you're going to continue to see some pressure on even PS as you move from time and materials to outcome-oriented, which is why I encourage everyone just keep focusing on how we're doing on MIPS because that's going to be your best indicator of not just growth for growth's sake, but actual sustainable, defendable growth for the long term.

Daniel Rosenberg: And when you think about the product portfolio that you're delivering within MIPS, does that require expansion? Is it just doubling down on all the things you've already developed to date? I know you had success in several of those initiatives, but could you speak to that product set?

William Di Nardo: Yes. I think the biggest change we're observing in the market is, we're using the word product less and solution more and in part because our RI has always had a service orientation to it. And AI is bringing the trappings of software, but the reality is it's applying AI into a service.

And so I would say one thing that hasn't changed is where do we have Real Intelligence, where is our domain knowledge. That's where we were building products before. I think what they're really becoming is embedded services and solutions. And so it's continuing to be the same area.

It's integration. Integration is probably one of our fastest-growing right now. There is nothing easier to explain than a better, cheaper, faster integration. What's really being worked on is the contracting approach to it. So integration, core part of our business historically continues to be, but now heavily leveraged by AI.

Data cleaning, no question, continues to be. A lot of the stuff you've heard us talk about as products in the past are being leveraged in the AI service and solution we're delivering. But I think we've met with resistance around buying new software.

In fact, I think that's one of the reasons why we're seeing software get punished is people aren't really buying software the same way, especially what I'll call the fringe software. They're buying

services. It's really transitioning into a service as software model rather than the other way around.

So the domains remain the same, I guess, to make the answer shorter. Same areas we've always been focused in, but less concerned about whether we're selling a license versus trying to sell more of a managed service.

Daniel Rosenberg: Backward SaaS. I think you just coined a new term for tech.

William Di Nardo: I didn't coin it. I didn't coin it. But yes, it's backward SaaS. And that's, that's the reality of what we're seeing in the market. People are really experimenting with building their own solutions and having them managed. At the end of the day, you still have an operating system doing and performing some functions. So it looks like software, but it really is being delivered as a service now.

Daniel Rosenberg: It's -- it goes down this interesting path of AI and its implications. You mentioned the word a lot. And one thing that does kind of strike me in your financials is basically your productivity. So you're becoming a lot more productive even with limited resources. So I guess, can you help me just quantify that, talk about that? How much more productive do you see yourself in terms of those go-to-market functions? And then how much further do you see that going leveraging these tools?

William Di Nardo: Yes. I mean, look, that is a loaded question that could be unpacked for a while because we've embraced AI everywhere. Mo is leveraging tools now that leverage AI significantly. So a very lean finance team gets a lot done because of the AI capabilities that have been deployed in there.

The sales function, interestingly enough, has started replacing a number of what I'll call fringe go-to-market solutions with homegrown and home built that are as equally effective in a fraction of the price. It's remarkable seeing the level of productivity gains at the senior levels of the company. And with that championship at the top, it's cascading down through the org.

So some of the margin stuff, again, I think you'll continue to see improvements on. Even monitoring and alerting tools, we're starting to displace and replace with our own internally built by our experts, knowing our systems really well. But it's also, what's remarkable is when you do these things, they become demonstrations that you can share with your customers.

So while I'm talking to senior executives about the speed at which we can do an integration now. So it's a very straightforward answer to your question, 10 days down to 1 day to create the code to complete an integration. That's the level of efficiency our teams are seeing.

And you can demonstrate that, but then you can demonstrate 5 other business applications that you've been developing internally, we start getting a lot of questions from customers, what else can you do for us?

The caution I have in all this, we're not building new products. We are helping customers move data between systems. We know how to do that really well. We can start solving very specific business problems with our AI capabilities and our domain knowledge, but we really have started to look at each customer's requirements independently.

There's reusability, but in some context, but the practical reality, quite often, it's just as fast and just as easy starting from scratch for a customer, leveraging our AI platform. So it really is changing the way we go to market, both back office and what we're showing customers.

Andy Ramsey: Bill, there are no more questions, so I'll pass it back to you to close the call.

William Di Nardo: All right. Daniel, I'll give you another chance if you have any other questions you want to follow up on. Otherwise, we'll wrap it up. I know we only just had our last quarter 60 days ago. So if there's no follow-on, I'll wrap it up, and we'll see everybody in 90 days. Thanks, everyone, for attending.