NEWS RELEASE

# Pivotree Announces Second Quarter 2024 Results

8/13/2024

Seventh consecutive quarter of positive Adjusted EBITDA with continued investment in frictionless products

TORONTO--(BUSINESS WIRE)-- Pivotree Inc. (TSXV:PVT) (“ Pivotree ” or the “ Company ”), a leader in frictionless commerce solutions, today reported financial results for the three and six month period ended June 30, 2024. All amounts are expressed in Canadian dollars unless otherwise stated.

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** .

## Second Quarter 2024 Financial Highlights

(All figures are in Canadian dollars and all comparisons are relative to the three-month period ended June 30, 2023 unless otherwise stated):

- Total Revenue of $20.3 million, a decrease of 10.7% or a decrease of 12.0% in constant currency.
    - Total Managed & IP Solutions + Legacy Managed Services (MIPS + LMS) of $9.2 million, a decrease of 13.6%, or 15.3% in constant currency. The year-over-year decline was primarily the result of the reduction of Oracle customers as service ramps down, partially offset by upsell on existing customers and addition of new customers.
        - Managed & IP Solutions (MIPS) Revenue grew 31.1% to $4.0M in Q2 2024, from $3.1M in Q2 2023
        - Legacy Managed Services (LMS) Revenue declined 31.8% to $5.2M in Q2 2024, from $7.6M in Q2 2023
    - Professional Services Revenue of $11.1 million, a decrease of 8.0% or 9.0% in constant currency. The year-over-year decline was primarily due to ramp down of completion of professional services projects and there continue to be customers contributing to the MIPS revenue growth. This was partially offset by the addition of new customer projects.
- Gross profit of $9.0 million, a decrease of 13.2% and representing 44.2% of total revenue compared to $10.3

million or 45.5% of revenue for the prior year period.

- Net loss of $4.4 million compared to net loss of $2.6 million for the prior year period primarily due to increased depreciation expense, restructure costs, foreign exchange impact, and decline in gross profits.
- Adjusted EBITDA 1 of $0.3 million compared to an adjusted EBITDA 1 of $0.04 million for the prior year period.

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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 2024 Business Highlights

- Commerce saw Professional Service and Managed & IP Solutions bookings across SAP hybris, Vtex, Spryker, and Shopify. Notably, Commerce won a new logo contract with a global oil and natural gas company on Shopify. Additionally, Commerce continued to benefit from renewals of Oracle ATG contracts in the Legacy Managed Service category.
- Data continued to see bookings for Data Readiness Assessments and SKU Build which included a new logo SKU Build deal representing over $1 million in TCV with a global manufacturer of networking, security, and connectivity products. Data won two additional new logos in the Professional Services category on Stibo and Syndigo as well as a number of renewals/extensions of application support in the Managed & IP Solutions category.
- Supply Chain won two new logos in the OMS Professional Services category on Körber and Fluent Commerce. Supply Chain also saw renewals/extensions across support services on Sterling WMS and Fluent Commerce OMS.

## Second Quarter 2024 Results

Selected Financial Measures

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| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 $ | 2023 $ | $ Change $ | % Change % | 2024 $ | 2023 $ | $ Change $ | % Change % |
| MIPS | 4,032,745 | 3,077,004 | 955,741 | 31.1% | 8,016,988 | 5,964,321 | 2,052,667 | 34.4% |
| LMS | 5,173,122 | 7,583,777 | (2,410,655) | -31.8% | 10,576,997 | 15,707,614 | (5,130,617) | -32.7% |
| Total MIPS & LMS | 9,205,867 | 10,660,781 | (1,454,914) | -13.6% | 18,593,985 | 21,671,935 | (3,077,950) | -14.2% |
| Professional Services | 11,052,721 | 12,015,894 | (963,173) | -8.0% | 22,597,681 | 26,051,107 | (3,453,426) | -13.3% |
| Total Revenue | 20,258,588 | 22,676,675 | (2,418,087) | -10.7% | 41,191,666 | 47,723,042 | (6,531,376) | -13.7% |

## Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for the three and six months ended June 30, 2024 and 2023.

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $ | $ | $ | $ |
| Revenue | 20,258,588 | 22,676,675 | 41,191,666 | 47,723,042 |
| Cost of revenue | 11,303,003 | 12,363,641 | 22,678,685 | 25,805,152 |
| Gross profit | 8,955,585 | 10,313,034 | 18,512,981 | 21,917,890 |
| Operating expenses | | | | |
| General and administrative | 2,758,444 | 2,953,763 | 5,684,846 | 6,231,085 |
| Sales and marketing | 2,475,018 | 2,564,337 | 5,314,399 | 5,413,597 |
| Research and development | 472,827 | 561,426 | 886,318 | 1,399,939 |
| IT and Operations | 3,080,343 | 3,838,397 | 6,432,521 | 7,614,458 |
| Loss (gain) on foreign exchange | (121,909) | 358,098 | (310,853) | 351,647 |
| Amortization and Depreciation | 2,695,114 | 1,596,148 | 4,184,892 | 3,222,021 |
| Stock based compensation | 239,523 | 230,481 | 474,051 | 469,055 |
| Restructuring and Other | 1,512,648 | 784,849 | 2,072,963 | 915,430 |
| Interest | 27,703 | 73,401 | 78,905 | 182,812 |
| | 13,139,711 | 12,960,900 | 24,818,042 | 25,800,044 |
| Loss before other items | (4,184,126) | (2,647,866) | (6,305,061) | (3,882,154) |
| Interest income | 36,933 | 64,161 | 115,464 | 75,885 |
| Operating loss | (4,147,193) | (2,583,705) | (6,189,597) | (3,806,269) |
| Current taxes | (254,739) | (1,286) | (399,461) | (197,092) |
| Net loss | (4,401,932) | (2,584,991) | (6,589,058) | (4,003,361) |
| Other comprehensive income (loss) | | | | |
| Foreign translation adjustment | 161,979 | (770,922) | 602,882 | (829,181) |
| Comprehensive loss | (4,239,953) | (3,355,913) | (5,986,176) | (4,832,542) |
| | | | | |
| Loss per share - basic | (0.17) | (0.10) | (0.25) | (0.15) |
| Weighted average number of common shares outstanding - basic | 26,309,816 | 26,642,201 | 26,337,194 | 26,633,623 |

## Cash Flows

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | $ | $ | $ | $ |
| Cash and cash equivalents, beginning of period | 7,879,161 | 15,838,651 | 8,619,161 | 17,346,028 |
| Net cash provided by (used in): | | | | |
| Operating activities | (1,095,676) | (3,916,025) | (2,362,429) | (4,916,558) |
| Investing activities | (374,682) | (384,373) | 559,855 | (589,649) |
| Financing activities | (184,879) | (411,037) | (611,463) | (633,285) |
| Effect of foreign exchange on cash and cash equivalents | 12,161 | (37,402) | 30,961 | (116,722) |
| Net decrease in cash and cash equivalents | (1,643,076) | (4,748,837) | (2,383,076) | (6,256,214) |
| Cash and cash equivalents, end of period | 6,236,085 | 11,089,814 | 6,236,085 | 11,089,814 |

## Conference Call

Management will host a live Zoom Video Webinar on Tuesday, August 13, 2024 at 8:30 am ET to discuss these second quarter 2024 results. The webinar can be accessed through the following registration link: **https://pivotree.zoom.us/webinar/register/WN_QxMCdvHBR4a2DkhfPXwnpw** .

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

## 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, “Total Contract Value (TCV) Booking”, “Managed & IP Solutions (MIPS) Revenue”, “Legacy Managed Services (LMS) Revenue”, "Adjusted EBITDA".

## Key Performance Indicators

Due to our operating model, we recognize revenue within Total MIPS & LMS and professional services. Total MIPS & LMS, while largely based on minimum monthly recurring fees, also includes transactional and overage charges that may be variable from month to month.

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.

- Total Contract Value (TCV) Booking: This is defined as the total value of the contract executed with customers by the Company in the quarter. This is a new KPI to provide improved visibility to total bookings. 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 due to variances to time and material estimates, transactional or overage revenue that may not appear in bookings. The TCV Booking will be reported for the professional and Managed and IP Solutions (MIPS) & Legacy Managed Services (LMS) revenue segments. For this quarter we have provided the trailing twelve months which will serve as the comparative as we begin to report the Company’s 2024 quarterly results.
- Managed & IP Solutions (MIPS) Revenue: This supplementary information will provide visibility into the revenue growth of managed services and licenses when the legacy managed services business is excluded.

- Legacy Managed Services (LMS) Revenue: This supplementary information will provide visibility into the revenues associated with supporting certain technology platforms in which the Company is not actively investing to grow. This metric should provide the readers with an overview of the underlying growth of the Company when these services are excluded from the results. This is a one-time segmentation for specific contracts of which the company intends to continue to report on until the revenues become less material to the overall Company's results.
- Total MIPS & LMS Revenue: This was referred to as managed services in prior reporting and will now be referenced using the new term. This segment combines both the MIPS and LMS supplementary segmentations introduced within.

## Total Contract Value (TCV) Booking

| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 $ | 2023 $ | $ Change $ | % Change % | 2024 $ | 2023 $ | $ Change $ | % Change % |
| MIPS | 3,048,010 | 5,520,717 | (2,472,707) | -44.8% | 5,967,257 | 6,715,679 | (748,422) | -11.1% |
| LMS | 7,125,271 | 1,743,189 | 5,382,082 | 308.7% | 13,576,994 | 7,305,122 | 6,271,872 | 85.9% |
| Total MIPS & LMS | 10,173,281 | 7,263,906 | 2,909,375 | 40.1% | 19,544,251 | 14,020,801 | 5,523,450 | 39.4% |
| Professional Services | 9,414,072 | 9,711,277 | (297,205) | -3.1% | 20,723,504 | 24,296,548 | (3,573,044) | -14.7% |
| Total TCV Booking | 19,587,353 | 16,975,183 | 2,612,170 | 15.4% | 40,267,755 | 38,317,349 | 1,950,406 | 5.1% |

TCV bookings for the three months ended June 30, 2024 were $2.6 million higher or 15.4% higher than the three months ended June 30, 2023. This increase is primarily related to LMS bookings growth resulting from Oracle ATG customer renewals and converting data center customers to the cloud. The LMS bookings are mostly contract for a 1 year term but also include contracts up to 3 years. Professional services decline is attributed to timing of booking on existing project engagements which are expected to continue and sign early Q3.

## Total MIPS and LMS Revenue Segmentation

| | Three months ended June 30, | | | | Six months ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 $ | 2023 $ | $ Change $ | % Change % | 2024 $ | 2023 $ | $ Change $ | % Change % |
| MIPS | 4,032,745 | 3,077,004 | 955,741 | 31.1% | 8,016,988 | 5,964,321 | 2,052,667 | 34.4% |
| LMS | 5,173,122 | 7,583,777 | (2,410,655) | -31.8% | 10,576,997 | 15,707,614 | (5,130,617) | -32.7% |
| Total MIPS & LMS | 9,205,867 | 10,660,781 | (1,454,914) | -13.6% | 18,593,985 | 21,671,935 | (3,077,950) | -14.2% |

Total MIPS & LMS for the three months ended June 30, 2024 were $1.5M lower or 13.6% lower than the three months ended June 30, 2023. This decrease is primarily the result of the customers on our Legacy Managed Services, in particular those running on Oracle ATG. The Managed and IP Solutions, contributed $1.0M or 31.1% growth over the prior year period. Growth was attributed to extending managed services application support and growth in SKU Build data offering.

## 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 June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net loss | (4,401,932) | (2,584,991) | (6,589,058) | (4,003,361) |
| Depreciation & Amortization (1) | 2,695,114 | 1,596,148 | 4,184,892 | 3,222,021 |
| Interest (2) | (9,230) | 9,240 | (36,559) | 106,928 |
| Taxes | 254,739 | 1,286 | 399,461 | 197,092 |
| EBITDA | (1,461,309) | (978,317) | (2,041,264) | (477,320) |
| Stock-Based Compensation (3) | 239,523 | 230,481 | 474,051 | 469,055 |
| Restructuring & Other (4) | 1,512,648 | 784,849 | 2,072,963 | 915,430 |
| Adjusted EBITDA | 290,862 | 37,013 | 505,750 | 907,165 |

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 net of interest income. 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.

## 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** , strategizes, designs, builds, and manages digital Commerce, Data Management, and Supply Chain solutions for over 200 major retailers and branded manufacturers globally. With a portfolio of digital products as well as managed and professional services, Pivotree provides businesses of all sizes with true end-to-end solutions. 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** or follow us on **LinkedIn** .

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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