



NEWS RELEASE

Pivotree Reports First Quarter of Fiscal 2021 Results

5/28/2021

Strong total bookings growth of 68% set the foundation for the remainder of the year

TORONTO, May 28, 2021 /CNW/ - Pivotree Inc. (TSXV: PVT) ("**Pivotree**" or the "**Company**"), a leader in frictionless commerce solutions, today reported financial results for the three months ended March 31, 2021. All amounts are expressed in Canadian dollars unless otherwise stated.

"First quarter revenue was impacted by lower seasonal consumption patterns, and as we indicated at the end of the fourth quarter, revenue declines and client churn from some of our customers that were negatively affected by the pandemic," said Bill Di Nardo, CEO of Pivotree. "At the same time, we have seen a strong pickup in sales activity to both new and existing retail and branded manufacturer customers that are making strategic investments in their digital infrastructure, resulting in record total bookings for the first quarter."

Added Mr. Di Nardo, "These customers are actively turning to us to extend their frictionless commerce experiences beyond the digital storefront into omnichannel, driving supply chain optimizations, master data management, and ensuring every transaction is secure. The organic investments we're making to go deeper in existing categories and expand in new technologies are bearing fruit through the growth of our sales pipeline and we are confident that the M&A opportunities we are closing in on will further enhance our prospects through the second half of 2021."

First Quarter 2021 Financial Highlights

(All comparisons are relative to the three-month period ended March 31, 2020 unless otherwise stated):

- Total Revenue of \$15.0 million, a decrease of 5.7%, or a decrease of 1.7% on a constant currency basis
- Managed Services Revenue of \$9.5 million, a decrease of 7.9%, or a decrease of 3.2% on a constant currency basis, driven by net customer churn from legacy customers and customers impacted by the pandemic in the fourth quarter of 2020
- Professional Services Revenue of \$5.5 million, a decrease of 1.6%, or an increase of 1.0% on a constant currency basis driven by a continued recovery in project activity

- Annual Recurring Revenue^{1,2} as at March 31, 2021 of \$41.9 million, 0.5% growth from the prior year period
- Year to date Total Bookings^{1,2} of \$11.0 million, an increase of 68%, 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 \$6.7 million representing 44.9% 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 49.5%
- Net loss of \$2.4 million, a decline from a net loss of \$0.2 million for the prior year period
- Adjusted EBITDA² of (\$0.9) million, a decline from positive adjusted EBITDA of \$1.5 million
- Adjusted Free Cash Flow² of (\$1.5) million, a decline from \$0.7 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 2021 Results

Selected Financial Measures

	Three months ended March 31,			
	2021	2020	Change	Change
	\$	\$	\$	%
Managed Services	9,465,946	10,281,505	(815,559)	-7.9%
Professional Services	5,538,942	5,630,005	(91,064)	-1.6%
Total Revenue	15,004,888	15,911,510	(906,622)	-5.7%
Gross Profit	6,737,804	8,645,574	(1,907,770)	-22.1%
Percentage of total revenue	44.9%	54.3%		

Key Performance Indicators

Ending March 31,

YoY Change

	2021	2020	Change	% Change
Total ARR	41,972,248	41,720,125	207,123	0.5%
YTD ARR Bookings	1,779,388	2,799,960	(1,020,572)	-36%
YTD Non-Recurring Bookings	9,221,799	3,748,954	5,472,845	146%
YTD Total Bookings	11,001,187	6,548,914	4,452,272	68%
Net Revenue Retention Rate	92%	97%	-5%	N/A
Net Revenue Retention Rate in Constant Currency	100%	95%	5%	N/A

Non-IFRS Metrics

Three months ended March 31,

	2021	2020	Change	Change
	\$	\$	\$	%
Adjusted EBITDA	(892,710)	1,472,350	(2,365,060)	--
Adjusted Free Cash Flow	(1,513,039)	749,955	(2,262,994)	-45.3%

Conference Call

Management will host a live Zoom Video Webinar on Friday, May 28, 2021 at 8:30 am ET to discuss these first quarter 2021 results. The webinar can be accessed through the following registration link:

https://pivotree.zoom.us/webinar/register/WN_Q6Nt69MaQIKv9dnznxIGog. 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 months ended March 31, 2021 and 2020.

Three months ended March 31,

2021
2020
\$ \$

Revenue	15,004,888	15,911,510
Cost of revenue	8,267,084	7,265,936
Gross profit	6,737,804	8,645,574
Operating expenses		
General and administrative	2,379,220	1,890,636
Sales and marketing	1,201,236	690,204
Research and development	419,451	511,211
IT and Operations	3,843,713	4,159,070
Loss (gain) on foreign exchange	185,146	(41,716)
Amortization and Depreciation	1,106,598	1,117,144
Restructuring and Other	100,929	53,125
Interest	58,594	468,319
	9,294,886	8,847,991
Income before other items	(2,557,082)	(202,417)
Other items		
Interest income	56,357	-
Operating loss	(2,500,725)	(202,417)
Current taxes	28,000	19,300
Deferred taxes	-	(22,800)
Net income (loss)	(2,472,725)	(205,917)
Other comprehensive income (loss)		
Foreign translation adjustment	(181,705)	(44,098)
Comprehensive income (loss)	(2,654,430)	(250,015)
	(0.10)	(0.03)
Income (Loss) per share - basic	24,711,532	7,101,250
Weighted average number of common shares outstanding - basic		

Cash Flows

The following table presents cash and cash equivalents as at March 31, 2021 and 2020, and cash flows from operating, investing, and financing activities for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
	2021	2020
	\$	\$
Cash and cash equivalents, beginning of period	53,942,263	2,984,657
Net cash provided by (used in):		
Operating activities	(5,500,503)	(1,232,473)
Investing activities	(271,851)	(2,313,917)
Financing activities	(273,233)	9,318,359
Effect of foreign exchange on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash	(6,045,587)	5,771,969
Cash and cash equivalents, end of period	47,896,676	8,756,627

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 March 31,	
	2021	2020
Net Income (loss)	(2,472,725)	(205,917)
Depreciation & Amortization	1,106,598	1,117,144
Interest	58,594	468,319
Taxes	(28,000)	3,500
EBITDA	(1,335,532)	1,383,046
Stock-Based Compensation	341,893	36,180
Restructuring & Other	100,929	53,125
Adjusted EBITDA	(892,710)	1,472,350

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

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 March 31,	
	2021	2020
Adjusted EBITDA	(892,710)	1,472,350
Cash Financed Capital Expenditure	258,142	(56,665)
Payment of Capital Leases	348,478	(430,535)
Deferred Development	13,709	(235,196)
Adjusted Free Cash Flow	(1,513,039)	749,955

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. Our strong total revenue growth and in particular our increasing ARR indicates the continued strength in the expansion of our overall client relationship and overall business. 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 is generally expected to contribute higher revenues than bookings for new services, once overage charges are captured through actual results. The revenue conversion may also be minimal as customers amend existing services and on demand rate card for a discounted rate card, in exchange for a longer-term commitment with minimum spend. 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. We define Net Revenue Retention Rate 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.
- Net Revenue Retention Rate in Constant Currency: Subsequent MD&As will be replacing the Net Revenue Rate with this new metric to provide similar key performance indicator on a constant currency basis. 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 months ended March 31, 2021 are as follows:

	Ending March 31,		YoY Change	
	2021	2020	Change	% Change
Total ARR	41,942,347	41,895,014	47,333	0%
YTD ARR Bookings	1,779,388	2,799,960	(1,020,572)	-36%
YTD Non-Recurring Bookings	9,221,799	3,748,954	5,472,845	146%
YTD Total Bookings	11,001,187	6,548,914	4,452,272	68%
Net Revenue Retention Rate	92%	97%	-5%	N/A
Net Revenue Retention Rate in Constant Currency	100%	95%	5%	N/A

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>.

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