



NEWS RELEASE

Pivotree Reports Fourth Quarter and Fiscal Year End 2020 Results

3/31/2021

Annual recurring revenue growth of 11% and a continued acceleration in professional services

TORONTO, March 31, 2021 /CNW/ - Pivotree Inc. (TSXV: PVT) ("**Pivotree**" or the "**Company**"), a leader in frictionless commerce solutions, today reported financial results for the three and twelve months ended December 31, 2020. All amounts are expressed in Canadian dollars unless otherwise stated.

"In 2020, the pandemic drove unprecedented online demand but also created significant headwinds for our large retail and branded manufacturer customers. Our existing customers turned to Pivotree to expand, optimize, and tune their eCommerce experiences," said Bill Di Nardo, CEO of Pivotree. "This resulted in record holiday volumes online and double-digit growth in ARR but also a slow down in new customer acquisition for Pivotree. We are really pleased to see the confidence in the large enterprise market returning with renewed energy and investment in their digital transformations. Our professional services pipeline, new logo additions and overall new contract bookings in the first part of 2021 are tracking to record levels."

Added Mr. Di Nardo, "The work we did in the fourth quarter was around ramping capabilities and capacity following the completion of our initial public offering. This includes expanding our sales and marketing capabilities and assembling a dedicated corporate development team working alongside our general managers to build a robust M&A pipeline. We believe we are in position to execute on several transactions this year in strategic areas that strengthen core categories like eCommerce, master data management and cloud transformation, or expand us into new categories like cybersecurity and supply chain. We expect this combination of organic and inorganic growth investments to accelerate Pivotree's trajectory as the frictionless commerce leader."

Fourth Quarter 2020 Financial Highlights

(All comparisons are relative to the three-month period ended December 31, 2019 unless otherwise stated):

- Total Revenue of \$16.5 million, an increase of 3.4%
- Managed Services Revenue of \$10.9 million, an increase of 1.8% driven by the addition of new customers in 2020 and growth in revenue per customer, partially offset by higher churn from legacy customers and customers impacted by the pandemic in the fourth quarter
- Professional Services Revenue of \$5.7 million, an increase of 6.5% from the prior year period and continued to show a recovery from the impact of COVID-19
- Annual Recurring Revenue^{1,2} as at December 31, 2020 of \$47.6 million, an increase of 10.8%
- Gross profit of \$8.2 million representing 49.3% of total revenue
- Net loss of \$4.8 million, of which approximately \$2.4 million was related to stock-based compensation related to true up of pre-IPO option expense and \$2.0 million was related to interest expenses from the repayment of loans
- Adjusted EBITDA² of \$1.0 million, a decline from \$1.5 million
- Adjusted Free Cash Flow² of \$0.6 million, a decline from \$1.1 million

Fiscal Year 2020 Financial Highlights

(All comparisons are relative to the fiscal year ended December 31, 2019 unless otherwise stated):

- Total Revenue of \$63.6 million, an increase of 6.5%
- Managed Services Revenue of \$43.5 million, an increase of 10.0%
- Professional Services Revenue of \$20.1 million, a decrease of 0.3%
- Gross profit of \$33.5 million representing 52.6% of total revenue
- Net loss of \$5.8 million, compared to net loss of \$2.9 million
- Adjusted EBITDA² of \$5.6 million, an increase from \$5.4 million
- Adjusted Free Cash Flow² of \$3.2 million, a increase from \$1.1 million
- Cash and cash equivalents of \$53.9 million as at December 31, 2020

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.

Fourth Quarter 2020 Results

Selected Financial Measures

Three months ended December 31,				Twelve months ended December 31,			
2020	2019	Change	Change	2020	2019	Change	Change
\$	\$	\$	%	\$	\$	\$	%

Managed Services	10,874,163	10,682,296	191,868	1.8%	43,464,258	39,498,949	3,965,308	10.0%
Professional Services	5,672,377	5,324,151	348,226	6.5%	20,131,480	20,187,483	(56,003)	-0.3%
Total Revenue	16,546,541	16,006,447	540,094	3.4%	63,595,737	59,686,432	3,909,305	6.5%
Gross Profit	8,155,930	9,235,902	(1,079,972)	-11.7%	33,453,179	33,902,513	(449,335)	-1.3%
Percentage of total revenue	49.3%	57.7%			52.6%	56.8%		

Key Performance Indicators

	Ending December 31,		YoY Change	
	2020	2019	Change	% Change
	\$	\$	\$	%
Total ARR	47,648,420	42,913,684	4,734,736	11%
YTD ARR Bookings	10,794,280	9,146,580	1,647,700	18%
Net Revenue Retention Rate	101%	90%	10%	N/A

Non-IFRS Metrics

	Three months ended December 31,				Twelve months ended December 31,			
	2020	2019	Change	Change	2020	2019	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Adjusted EBITDA	974,320	1,539,380	(565,060)	-36.7%	5,569,281	5,428,711	140,570	2.6%
Adjusted Free Cash Flow	625,537	1,143,577	(518,040)	-45.3%	3,233,642	1,096,709	2,136,933	194.8%

Issuance of Deferred Share Units

Pivotree also announced that it has authorized the issuance of an aggregate of 8,619 deferred share units ("DSUs")

to certain non-executive directors of the Company in accordance with the provisions of the Company's omnibus equity incentive compensation plan (the "Plan").

All of the DSUs vest effective as of the date of grant and may be settled, at the option in the Company, in cash or common shares of the Company, or a combination of cash and common shares, upon the applicable director ceasing to be a director of the Company.

A copy of the Plan is attached as Appendix C to the Company's final prospectus dated October 23, 2020, which is available on the Company's profile on SEDAR at www.sedar.com.

Conference Call

Management will host a live Zoom Video Webinar on Wednesday, March 31, 2021 at 8:30 am ET to discuss these fourth quarter and year end results. The webinar can be accessed through the following registration link:

https://pivotree.zoom.us/webinar/register/WN_Fmq1qNNdR0SKT0I5CtZArg. A replay will be available approximately two hours after the conclusion of the live event.

Results of Operations

The following table outlines our consolidated statements of loss and comprehensive loss for the three and twelve months ended December 31, 2020 and 2019.

	Three months ended December 31,		Twelve months ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	16,546,541	16,006,447	63,595,737	59,686,432
Cost of revenue	8,390,611	6,770,545	30,142,558	25,783,919
Gross profit	8,155,930	9,235,902	33,453,179	33,902,513
Operating expenses				
General and administrative	4,273,068	2,387,300	9,529,842	8,386,077
Sales and marketing	798,367	906,218	3,103,993	3,794,296
Research and development	(769,073)	801,765	602,302	2,175,994
IT and Operations	4,665,068	3,607,216	16,513,064	14,171,111
Loss (gain) on foreign exchange	456,142	(21,875)	510,190	127,427

Amortization and Depreciation	1,008,796	1,296,116	4,318,268	4,699,054
Restructuring and Other	85,870	690,883	1,023,135	1,873,985
Interest	2,342,458	360,945	3,802,763	1,022,916
	12,860,697	10,028,568	39,403,556	36,250,860
Operating loss	(4,704,767)	(792,667)	(5,950,377)	(2,348,347)
Current taxes	(1,000,664)	(100,997)	(603,539)	(474,393)
Deferred taxes	881,264	(18,626)	795,639	(76,852)
Net income (loss)	(4,824,167)	(912,289)	(5,758,277)	(2,899,592)
Other comprehensive income (loss)				
Foreign translation adjustment	(206,770)	665,674	(970,626)	356,540
Comprehensive Income (loss)	(5,030,937)	(246,615)	(6,728,903)	(2,543,052)
Income (Loss) per share - basic	(0.48)	(0.13)	(0.57)	(0.41)
Weighted average number of common shares outstanding - basic	10,104,942	7,093,691	10,104,942	7,093,691

Cash Flows

The following table presents cash and cash equivalents as at December 31, 2020 and 2019, and cash flows from operating, investing, and financing activities for nine months ended December 31, 2020 and 2019:

	Twelve months ended December 31,	
	2020	2019
	\$	\$
Cash and cash equivalents, beginning of period	2,984,657	3,202,819
Net cash provided by (used in):		
Operating activities	3,462,020	5,095,439
Investing activities	(5,597,578)	(4,349,784)
Financing activities	53,093,164	(963,817)
Effect of foreign exchange on cash and cash equivalents	-	-

Net increase (decrease) in cash and cash	50,957,605	(218,161)
Cash and cash equivalents, end of period	53,942,263	2,984,658

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.

Adjusted EBITDA

The following table reconciles Adjusted EBITDA to net loss for the periods indicated:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net Income (loss)	(4,824,167)	(912,289)	(5,758,277)	(2,899,592)
Depreciation & Amortization (1)	1,008,796	1,296,116	4,318,268	4,699,054
Interest (2)	2,342,458	360,945	3,802,763	1,022,916
Taxes	119,400	119,623	(192,100)	551,245
EBITDA	(1,353,513)	864,394	2,170,653	3,373,623
Stock-Based Compensation (3)	2,241,963	(15,897)	2,375,493	181,103
Restructuring & Other (4)	85,870	690,883	1,023,135	1,873,985
Adjusted EBITDA	974,320	1,539,380	5,569,281	5,428,711

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) These expenses represent non-cash expenditures recognized in connection with the issuance of share-based compensation to our employees, advisors and directors. Included is the catch up of options expense related to the IPO
- (4) Restructuring & Other expenses are related to restructuring, IPO costs, extraordinary events that are not considered an expense indicative of continuing operations.

Free Cash Flow

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

from (used in) operating activities to Free Cash Flow:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Adjusted EBITDA	974,320	1,539,380	5,569,281	5,428,711
Cash Financed Capital Expenditure	35,397	126,015	124,218	707,905
Payment of Capital Leases	136,933	38,171	1,390,653	1,474,894
Deferred Development	176,453	231,618	820,767	2,149,203
Adjusted Free Cash Flow	625,537	1,143,577	3,233,642	1,096,709

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.
- **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 and Annual Recurring Revenue for the twelve months ended December 31, 2020 are as follows:

	Ending December 31,		YoY Change	
	2020	2019	Change	% Change
	\$	\$	\$	
Total ARR	47,648,420	42,913,684	4,734,736	11%
YTD ARR Bookings	10,794,280	9,146,580	1,647,700	18%
Net Revenue Retention Rate	101%	90%	12%	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>.

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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