



NEWS RELEASE

Pivotree Reports Third Quarter of Fiscal 2020 Results

11/25/2020

Annual Recurring Revenue growth of 22% and Managed Services Revenue growth of 14%

TORONTO, Nov. 25, 2020 /CNW/ - Pivotree Inc. (TSXV: PVT) ("**Pivotree**" or the "**Company**"), a leading global commerce and master data management ("**MDM**") services provider, today reported financial results for the three and nine months ended September 30, 2020. All amounts are expressed in Canadian dollars unless otherwise stated.

"The steady year over year growth in our Managed Services Revenue and ARR in the third quarter reflects the strength and stability of our business while Professional Services Revenue recovered nicely growing 26% from the second quarter. Through the pandemic, large retailers and enterprises are continuing to look to Pivotree to support them through their journey to achieve frictionless commerce," said Bill Di Nardo, CEO of Pivotree. "With the recent completion of our successful IPO, we are now accelerating our investments to expand our market position as we drive organic growth and look to execute on our active pipeline of acquisition opportunities."

Third Quarter 2020 Financial Highlights

(All comparisons are relative to the three-month period ended September 30, 2019 unless otherwise stated):

- Total Revenue of \$16.2 million, an increase of 6.7%
- Managed Services Revenue of \$11.3 million, an increase of 14.0%, driven by the addition of new customers in 2020 and growth in our revenue per customer
- Professional Services Revenue of \$4.9 million, a decrease of 6.9% from the prior year period and an increase of 25.8% from the second quarter of 2020, reflecting a recovery in demand for professional services through existing customers from the second quarter
- Annual Recurring Revenue^{1,2} as at September 30, 2020 of \$49.0 million, an increase of 22%
- Gross profit of \$8.4 million, a decrease of 2.4%, and representing 51.6% of total revenue
- Net loss of \$1.0 million, compared to net loss of \$0.6 million
- Adjusted EBITDA² of \$0.9 million, a decline from \$1.5 million, driven by \$1.7 million in incremental IPO related

costs, a year-to-date adjustment related to variable compensation and to a lesser degree a provision for bad debt

- Adjusted Free Cash Flow² of \$0.3 million, an increase from \$0.06 million
- Cash and cash equivalents of \$9.5 million as at September 30, 2020
- Subsequent to quarter end, completed an Initial Public Offering on October 30, 2020 of 7,059,000 common shares at a price of C\$8.50 per share, including an over-allotment option for an additional 1,058,850 common shares, for total gross proceeds of \$69,001,725
- Subsequent to quarter end, completed the early retirement of a \$9 million credit facility with Beedie Investments Ltd. resulting in a total payout of \$10.2 million, including accrued interest, early termination and closing fees, and includes a \$0.4 million negotiated saving

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.

Third Quarter 2020 Results

Selected Financial Measures

	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change	Change	2020	2019	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Managed Services	11,324,049	9,932,973	1,391,076	14.0%	32,590,094	28,816,654	3,773,440	13.1%
Professional Services	4,918,529	5,285,716	(367,187)	-6.9%	14,459,102	14,863,332	(404,229)	-2.7%
Total Revenue	16,242,578	15,218,689	1,023,890	6.7%	47,049,197	43,679,985	3,369,211	7.7%
Gross Profit	8,375,684	8,577,361	(201,677)	-2.4%	25,297,249	24,666,612	630,637	2.6%
Percentage of total revenue	51.6%	56.4%			53.8%	56.5%		

Key Performance Indicators

Ending September 30,

YoY Change

	2020	2019	Change	% Change
	\$	\$	\$	%
Total ARR	48,961,374	40,066,245	8,895,129	22%
YTD ARR Bookings	8,787,915	6,481,107	2,306,808	36%
Net Dollar Retention Rate	113%	96%	17%	N/A

Non-IFRS Metrics

	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change	Change	2020	2019	Change	Change
	\$	\$	\$	%	\$	\$	\$	%
Adjusted EBITDA	852,374	1,596,330	(743,956)	-46.6%	4,594,962	3,889,331	705,631	18.1%
Adjusted Free Cash Flow	263,475	64,423	199,052	309.0%	2,608,107	(46,867)	2,654,974	NA

Conference Call

Management will host a live Zoom Video Webinar on Thursday, November 25, 2020 at 8:30 am ET to discuss these third quarter results. The webinar can be accessed through the following registration

link: https://pivotree.zoom.us/webinar/register/WN_SS--IGWjSzmOK7rEMxiPrA. 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 nine months ended September 30, 2020 and 2019.

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019

	\$	\$	\$	\$
Revenue	16,242,578	15,218,689	47,049,197	43,679,985
Cost of revenue	7,866,894	6,641,328	21,751,948	19,013,373
Gross profit	8,375,684	8,577,361	25,297,249	24,666,612
Operating expenses				
General and administrative	2,073,714	1,977,224	5,256,775	5,998,777
Sales and marketing	946,162	926,605	2,305,625	2,888,078
Research and development	459,281	374,341	1,371,375	1,374,229
IT and Operations	3,998,987	3,705,001	11,847,995	10,563,895
Interest	480,084	246,064	1,460,304	661,971
Loss (gain) on foreign exchange	106,336	44,860	54,047	149,302
Amortization and Depreciation	1,071,162	1,455,785	3,309,472	3,402,938
Restructuring and Other	594,114	266,765	937,264	1,183,102
	9,729,840	8,996,645	26,542,857	26,222,292
Operating loss	(1,354,156)	(419,284)	(1,245,608)	(1,555,680)
Current taxes	204,125	(146,397)	397,125	(373,397)
Deferred taxes	142,375	(25,226)	(85,625)	(58,226)
Net income/(loss)	(1,007,656)	(590,907)	(934,110)	(1,987,302)
Other comprehensive income/(loss)				
Foreign translation adjustment	(1,434,384)	24,615	(763,856)	(309,134)
Comprehensive income/(loss)	(2,442,040)	(566,292)	(1,697,966)	(2,296,436)
	(0.14)	(0.08)	(0.13)	(0.28)
Income (Loss) per share - basic Weighted average number of common shares outstanding - basic	7,118,584	7,083,870	7,118,584	7,083,870

Cash Flows

The following table presents cash and cash equivalents as at September 30, 2020 and 2019, and cash flows from operating, investing, and financing activities for nine months ended September 30, 2020 and 2019:

Nine months ended September 30,

	2020	2019
	\$	\$
Cash and cash equivalents, beginning of period	2,984,657	3,202,819
Net cash provided by (used in):		
Operating activities	3,445,037	2,328,450
Investing activities	(4,864,576)	(3,845,716)
Financing activities	7,945,359	(449,515)
Effect of foreign exchange on cash and cash equivalents	-	-
Net increase (decrease) in cash and cash	6,525,820	(1,966,781)
Cash and cash equivalents, end of period	9,510,477	1,236,038

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 "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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net Income (loss)	(1,007,656)	(590,907)	(934,110)	(1,987,302)
Depreciation & Amortization	1,071,162	1,455,785	3,309,472	3,402,938
Interest	480,084	246,064	1,460,304	661,971
Taxes	(346,500)	171,623	(311,498)	431,622
EBITDA	197,090	1,282,564	3,524,168	2,509,229
Stock-Based Compensation	61,170	47,000	133,530	197,000
Restructuring & Other	594,114	266,765	937,264	1,183,102
Adjusted EBITDA	852,374	1,596,330	4,594,962	3,889,331

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 September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Adjusted EBITDA	852,374	1,596,330	4,594,962	3,889,331
Cash Financed Capital Expenditure	18,216	189,588	88,820	581,890
Payment of Capital Leases	367,677	440,645	1,253,721	1,436,723
Deferred Development	203,006	901,673	644,314	1,917,585
Adjusted Free Cash Flow	263,475	64,423	2,608,107	(46,867)

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 nine months ended September 30, 2020 are as follows:

	Ending September 30,		YoY Change	
	2020	2019	Change	Change
	\$	\$	\$	%
Total ARR	48,961,374	40,066,245	8,895,129	22%
YTD ARR Bookings	8,787,915	6,481,107	2,306,808	36%

Net Revenue Retention Rate	113%	96%	17%	N/A
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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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