



# PUDO Inc. Announces 2020 Full Year Results and Outlook

- Revenue up 34.6% to \$1.1 million this year compared to the prior fiscal year
- Net loss decreased by \$1.4 million to \$2.0 million relative to prior fiscal year
- Parcel volume up 25.3% in comparison to the prior fiscal year

TORONTO, May 29, 2020 /CNW/ - PUDO Inc. ("**PUDO**" or the "**Company**") (CSE: PDO; OCTQB: PDPTF), North America's only carrier-neutral parcel pick-up and drop-off network (the "**Network**"), filed today audited financial results and operational highlights for the Fiscal 2020 year ended February 29, 2020 ("FY 2020").

## Financial Results Summary

For the year ended February 28,	2020	2019
Revenue	\$ 1,121,430	\$ 832,885
Cost of sales	(515,011)	(270,830)
<b>Gross profit</b>	<b>606,419</b>	<b>562,055</b>
Administrative expenses	(1,864,807)	(2,231,615)
Share-based compensation*	(597,672)	(1,679,973)
<b>Operating loss</b>	<b>(1,856,060)</b>	<b>(3,349,533)</b>
Finance costs	(148,126)	(38,286)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (2,004,186)</b>	<b>\$ (3,397,819)</b>
Loss per share basic and diluted	\$ (0.08)	\$ (0.18)

\*non-cash IFRS expense related to the amortization of performance options for management and directors.

The Company's revenues increased by approximately \$0.3 million to \$1.1 million in FY 2020 relative to the previous year representing a 34.6% increase, owing primarily to a significant increase in Failed First Attempt parcel volume and new PUDO services launched in FY 2020 offset by a 10.9% decrease in member shipments.

Gross profit of \$0.6 million for the year ended February 29, 2020 increased \$0.04 million relative to the prior year representing a 7.9% increase. As a percentage of revenue, the gross profit in FY 2020 decreased to 54.1%, down from 67.5% in the prior year. This is related to the shift of revenue from border member shipments towards partner shipments. The direct costs associated with partner shipments are greater.

The Company's net loss was \$2.0 million for the year ended February 29, 2020, with basic and diluted loss of \$0.08 per share. This compares with a net loss of \$3.4 million with basic and diluted loss of \$0.18 per share for the year ended February 28, 2019.

The Company had administrative expenses of \$1.9 million during the year ended February 29, 2020 compared to \$2.2 million the prior year representing a 13.6% decrease. The decrease was primarily a result of decreases in salaries due to changes in management personnel and departed employees not being replaced compared with the prior year. The Company incurred \$0.6 million in non-cash share-based compensation during the year ended February 29, 2020 in comparison with \$1.7 million during the year ended February 28, 2019.

"Overall, and notwithstanding economic and pandemic-related supply chain factors outside of our control, I am very pleased with the growth and performance of the Company as it relates to expansion, and to increasing pay-as-you-go services with existing and new partners. We navigated some major adjustments this past year to streamline productivity and reduce operating expenses, and we successfully executed some long-awaited trials with major players. We are very well positioned to leverage this traction and accelerate PUDOpoint activations, parcel volume, and

revenue," says PUDO CEO Frank Coccia.

## Operational Highlights

Parcel volume and other factors within the e-commerce ecosystem affect PUDO's goals and performance during its growth phase.

While the Company continued to strategically manage the growth and development of the Network throughout FY 2020, overall parcel volume increased by 25.3% compared to the year ended February 28, 2019 ("FY 2019"). Parcel volumes during Q4 FY 2020 increased by 56.8% compared to Q4 FY 2019. During this quarter, partner shipments increased 98.5% over the same quarter in the previous year. While during the same time, member shipment volumes were down 1.9%, relating to reduced cross border shopping demand. In FY 2020, partner shipments represented 65.3% of the Company's total parcel volumes, up from 51.2% in the prior fiscal year.

Below is a summary of PUDO's current parcel services being utilized by partners and customers:

- ***Failed First Attempt ("FFA") Parcels:*** During FY 2020 total FFA parcel volume increased by 39.6% over FY 2019, while during Q4 FY 2020 FFA parcel volume increased 49.4% as compared to FFA parcel volume in Q4 FY 2019. In sequential quarters, parcel volumes in Q4 FY 2020 compared to Q3 FY 2020 increased by 23.6%. This compares to a parcel decrease of 8.9% in the prior year between Q4 and Q3 FY 2019. This increase during these sequential quarters was expected as PUDO successfully completed a pilot program during FY 2020 with Purolator and as result the number of PUDOpoints utilized by this new partner increased from 4 PUDOpoints to over 60 PUDOpoints located in strategic areas.
- ***Member Shipments:*** During FY 2020 total consumer parcel volume decreased by 10.9% over FY 2019, while during Q4 FY 2020 consumer parcel volume decreased by 1.9% as compared to consumer volume in Q4 FY 2019. In sequential quarters, parcel volumes in Q4 FY 2020 compared to Q3 FY 2020 increased by 2.4%. This compares to a parcel decrease of 5.2% in the prior year between Q4 and Q3 FY 2019. This increase is primarily due to increased Canadian consumers' confidence with crossing the Canada / USA border without unexpected border difficulties and concern with re-entry back into Canada (this was prior to the escalation of the COVID-19 restrictions starting in February 2020).
- ***Courier for Pickup ("FPU") Parcels:*** During FY 2020, PUDO continued to see exciting growth within the FPU service with parcel volume increasing 167.3% over FY 2019, while during Q4 FY 2020 FPU parcel volume increased 127.0% as compared to FPU volume in Q4 FY 2019. In sequential quarters, parcel volumes in Q4 FY 2020 compared to Q3 FY 2020 increased by 29.7%. Although the volumes are relatively modest at this stage these parcels are an important benefit for partner couriers to support marketplace and other small office / home office business shipping demand.
- ***Returns Parcels:*** Throughout FY 2020, PUDO developed the handling returns logistics program nationally. Utilizing PUDO's shipping rates and adding PUDOpoints as return choices allowed new convenient options to help consumers drop-off returns with minimal effort along with reduced costs for the PUDO partners. In sequential quarters, parcel volumes in Q4 FY 2020 compared to Q3 FY 2020 increased by 32.9%.
- ***Other:*** In Q4 FY 2020 the Company launched and conducted a successful pilot program with a large e-commerce provider, designed to integrate PUDOpoints and services into their Hub Counter network, confirming the global legitimacy of the PUDO business model while laying the groundwork to move forward more quickly with expansion in FY 2021.

As PUDO realizes its growth plan, it is expected that having a greater number of stakeholder

partners and consumer members will minimize parcel volume losses and reduce dependence on specific carriers.

## **Outlook**

Notwithstanding the massive global disruption to the e-commerce supply chain caused by the early 2020 onset of the COVID-19 pandemic, e-commerce as a whole and logistics in particular, adjusted at lightning speed to recover and gain considerable ground. This underscores the importance of relationships and network integration during the critical last-mile.

Amidst all of this, PUDO was able to accelerate PUDOpoint activation, optimize operator systems, and enhance the customer experience. E-commerce and courier giants hit hardest by the pandemic, looked to PUDO to help them extend their own networks, which was in and of itself validation that the PUDOpoint Network model works as it was designed to.

For the most part, e-commerce consumers are mobile, tech-savvy, and aware. Environment aside, the greatest percentage of heavy e-commerce users participate in the sharing economy and understand that community-based support can drive positive social change.

In leveraging these sensibilities with consumers and like-minded business organizations, PUDO has a wide-open opportunity to grow their business from a consumer membership level, and by default involve the many e-commerce ecosystem players that those consumer members conduct online business with; including those overseas.

Finally, looking forward to a post pandemic North America where people have established or re-established relationships with community-based businesses, the very notion of consumer, courier, and online retailer support for a network built on community-based small businesses operating PUDOpoint Counters, is very promising.

## **COVID-19**

Subsequent to year end, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

As of May 28, 2020, the Company has been impacted by COVID-19 through temporary closure of some of the PUDOpoints as well as customers being at home to accept their parcels, thereby reducing the number of failed first delivery attempts being brought to PUDOpoints. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

"In spite of all that has happened to and with logistics, e-commerce, and critical B2B and B2C supply chains during these 12 months of reporting, e-commerce remains unstoppable. Shopping online is the new normal for retail and continues to experience double-digit growth annually. With each online purchase made, the last-mile related logistics issues that we solve for our partners grow in severity. As North America's only fully open carrier-agnostic parcel pick-up and drop-off Network, we are uniquely positioned to leverage that opportunity. The faith that new major partners have placed in PUDO, to help them solve their crippling last-mile issues, underscores that potential," concludes Coccia.

A complete copy of the audited financial statements and the Management's Discussion and Analysis Report for the year ended February 29, 2020, can be found on the CSE website at [www.thecse.com](http://www.thecse.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

To signup for PUDO News Feed please subscribe at <https://www.pudoinc.com/en/news>.

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### **About PUDO Inc.**

PUDO Inc. is North America's only carrier-neutral parcel pick-up and drop-off counter Network, conceived to resolve the last-mile parcel-traffic-control gridlock that challenges North America's \$700B e-commerce sector, and eliminate over \$6B in door-dropped parcel theft.

PUDO's team of logistics and parcel traffic management experts have created a plug-and-play, pay-as-you-go platform and Network of parcel pick-up and drop-off storefront counters known as PUDOpoint Counters, strategically located very near to where people live, work and play.

The PUDO model reduces or eliminates crippling last-mile related expenses for online retailers, marketplaces and carrier/delivery partners, with fulfillment and distribution solutions that include parcel storage and consolidation for click-and-collect deliveries, online returns, and the nearly 35% of e-commerce parcels that are undeliverable on first attempt.

Membership in the PUDOpoint Counters Network program offers consumers 'parcel receipt certainty', early/late/weekend pick-up and return convenience, 100% elimination of door-drop parcel theft, and a mobile home-away-from-home address Network that goes wherever they do.

The PUDOpoint Counters Network provides all carriers, retailers, and consumers with badly needed cost controls, choice, and convenience.

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*Information in this press release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws, such as statements regarding estimated revenues from new contracts, increased parcel volume, activation and implementation of PUDO's technology and possible future expansions of PUDO's operations. This information is based on current expectations and assumptions of management, including assumptions concerning PUDO's ability to integrate its new customers into its network and successfully execute on its new and existing contracts. The use of any of the words "anticipate", "believe", "expect", "plan", "intend", "can", "will", "should", and similar expressions are intended to identify forward-looking statements. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Risks, uncertainties, and other factors involved with forward-looking information could cause actual events, results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking information. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Factors that could cause actual results to differ materially from such forward-looking information include, without limitation, uncertainties with respect to service implementation, the economic results of the relationship on the operations of the Company, changes in general economic, market, or business conditions, and those risks set out in the Company's public documents filed on SEDAR. This press release, in particular the information in respect of estimated revenues, may contain future-oriented financial information or financial outlook within the meaning of applicable securities laws. Such future-oriented financial information*

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*The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by law.*

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