

PUDO Inc. reports FY 2021 second quarter end results and outlook

- Revenue up 17.3% to \$269,685 this quarter compared to the second quarter of FY 2020
- Second quarter net loss decreased by \$246,701 to \$336,268 relative to the second quarter of FY 2020
- Q2 FY 2021 overall parcel volume decreased by 24.5% relative to the same quarter in the prior year

TORONTO, Sept. 22, 2020 /CNW/ - PUDO Inc. ("PUDO" or the "Company") (CSE: PDO) (OTCQB: PDPTF), North America's only carrier neutral parcel pick-up and drop-off network (the "**Network**"), today filed interim financial results (unaudited) and operational highlights for its second quarter that ended August 31, 2020 ("Q2 FY 2021").

PUDO Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2020	2019	2020	2019
Revenue	\$ 269,685	\$ 229,971	\$ 583,318	\$ 444,950
Cost of sales	(169,796)	(86,223)	(378,953)	(156,600)
Gross profit	99,889	143,748	204,365	288,350
Administrative expenses	(355,214)	(512,730)	(743,253)	(1,072,665)
Share-based compensation*	(78,223)	(153,789)	(117,574)	(307,578)
Operating loss	(333,548)	(522,771)	(656,462)	(1,091,893)
Finance costs	(2,720)	(60,198)	(8,985)	(90,686)
Net loss and comprehensive loss for the period	\$ (336,268)	\$ (582,969)	\$ (665,447)	\$ (1,182,579)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.06)

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

During the three month period ended August 31, 2020, the Company's revenue was \$269,685 (August 31, 2019 - \$229,971), representing an increase of 17.3% over the same period last year due to new partner volumes and the successful sale of additional PUDO services to other partners, offset by the decrease in Failed First Attempt ("FFA") parcels to PUDOpoint Counter Locations as a result of a higher number of consumers being at home to accept their parcels during the COVID-19 pandemic ("COVID-19") and as a result of the Canada USA border being closed to non-essential travel due to COVID-19. For the six months ended August 31, 2020, revenue increased \$138,368 to \$583,318 representing a 31.1% increase over the same period in the prior year as a result of the increase in returns and third party logistics ("3PL") PUDO services.

Gross profit for the three month period ended August 31, 2020 was \$99,889 (August 31, 2019 - \$143,748) representing a decrease of \$43,859 or 30.5% over the same period last year. This is a result of new parcel services for 3PL parcel shipment processing and the fixed costs associated with the shipping fees, which generates a lower gross profit margin than PUDO's FFA, FPU, and border member parcels.

During the three month period ended August 31, 2020, the Company reported a net loss of \$336,268 (\$0.01 basic and diluted loss per share), a decrease of \$246,701 compared with a net loss of \$582,969 (\$0.03 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. Most of this decreased loss was attributable to a reduction in administrative expenses as a result of the decrease in salaries due to the changes in senior management and the non-cash

expense related to share-based compensation.

The net loss for the six months ended August 31, 2020 was \$665,447 (\$0.02 basic and diluted loss per share), a decrease from a net loss of \$1,182,579 (\$0.06 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year, again primarily due to a reduction in salaries and benefits costs overall and non-cash share-based compensation relative to the corresponding period of the prior fiscal year.

"Given the widespread upheaval that disrupted all levels of the supply chain and the e-commerce ecosystem these past six months, I am pleased that the Company was able to maintain expansion plans and increase gross revenue for both of the last two quarters. This speaks to the soundness of our PUDOpoint Counters growth plans in general, and to the quality and stability of our major partner relationships," says PUDO CEO Frank Coccia. "As we move into the fall and winter seasons and utilize our expanding Network to manage what will no doubt be record-breaking e-commerce parcel volumes with or without COVID-related complexities, I believe we will see corresponding volume-based reductions in costs to deliver our suite of services."

Operational Highlights

While the Company continued to strategically manage the growth and development of the PUDOpoint Counter network throughout Q2 FY 2021, overall parcel volume decreased by 24.5% compared to the three month period ended August 31, 2019 ("Q2 FY 2020"). In sequential quarters, overall parcel volume volumes in Q2 FY 2021 as compared to Q1 FY 2021 decreased by 5.1% as COVID-19 continued to impact some services. During this quarter, Q2 FY 2021, partner shipments increased 11.1% over the same quarter in the previous year. During the same three month period, border member shipment volumes were down 79.2% as a result of the Canada USA border being closed to non-essential travel due to the COVID-19 pandemic. In Q2 FY 2021, partner shipments represented 89.1% of the Company's total volumes, up from 60.6% in the same quarter in the prior fiscal year.

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

- ***Courier Pickup Parcels:*** During Q2 FY 2021, PUDO courier pickup service at PUDOpoint locations continued to see growth with parcel volume increasing by 337.8% compared to Q2 FY 2020. This is a result of a large customer continuing to expand their use of PUDOpoint Counter locations as drop off locations for courier and customer pickups. In sequential quarters, courier pickup parcel volumes in Q2 FY 2021 as compared to Q1 FY 2021 increased by 26.8% as this service continues to expand.
- ***Third Party Logistics Parcels:*** During Q2 FY 2021, 3PL parcel shipments increased 100% relative to the prior year, Q2 FY 2020. In sequential quarters, 3PL parcel shipments in Q2 FY 2021 as compared to Q1 FY 2021 decreased by 24.6%. The decrease was a result of a PUDO partner experiencing a severe technology issue that curtailed their delivery operations for approximately a two week period in August 2020.
- ***Failed First Attempts Parcels:*** During Q2 FY 2021 total FFA parcel volume decreased by 27.5% relative to Q2 FY 2020. In sequential quarters, parcel volumes in Q2 FY 2021 compared to Q1 FY 2021 decreased by 3.5%. This decrease between these sequential quarters is related to the ongoing impact of COVID-19 and customers being home to accept their parcels, reducing the requirement of redirects to PUDOpoint locations.
- ***Returns Parcels:*** During Q2 FY 2021 returns parcels increased by 202% as compared to the prior year, Q2 FY 2020. In sequential quarters, returns parcel volume in Q2 FY 2021 as compared to Q1 FY 2021 increased by 200.4%. These increases resulted from a PUDO partner adding new clients to the PUDO returns service, thereby reducing returns costs for their

clients.

- *Member Parcels*: During Q2 FY 2021 total member parcel volume decreased by 79.2% relative to Q2 FY 2020. Again, this decrease is a direct result of COVID-19 and the closure of the Canada – USA border to non-essential travel during the quarter. In sequential quarters, parcel volumes in Q2 FY 2021 compared to Q2 FY 2021 decreased by 37%, again due to COVID-19 and the border closure.
- *Hub Counter Parcels*: As a result of a successful program with a large USA e-commerce retailer, that began in Q4 FY 2020, that now utilizes close to 500 USA PUDOpoint Counter locations and expanding daily, the retailer made the decision to launch a pilot program within their Canadian e-commerce division. In July 2020, 107 Canadian PUDOpoints were approved for the retailer's Canadian customers. As a result of this combined parcel volume during Q2 FY 2021 Hub Counter parcel volume increased by 301.7% over the prior quarter, Q1 FY 2021.

Outlook

Notwithstanding the three factors affecting e-commerce logistics during the six month period ending August 31, 2020 i.e.: the force majeure grade global COVID-19 pandemic, the Canada-US border closure, and the technology-triggered near total shut-down of a major partner's operations for two weeks, the Company maintained its PUDOpoint Counters Network expansion trajectory in both Canada and the United States, and grew its North American Network by 21.4%.

This growth demonstrated both critical resilience within the e-commerce ecosystem, and essentially, confirmation of major partner dependence on the agnostic parcel pick-up and drop-off Network model itself. As e-commerce continues to grow beyond forecasts both in popularity and on necessity, the greater PUDOpoint Counters Network, itself activated on partner volume, is attracting the attention of new major players within the ecosystem.

The performance metrics as reported in Q1 and Q2 FY 2021 indicate that, as the Network expands in tandem, in numbers of PUDOpoint Counters, number of stakeholder partners, and associated parcel volumes, the potential negative impacts experienced by any individual partner or of the industry or economy, should be mitigated, allowing the Company to attain and increase profitability as it continues to scale quickly, growing its core asset of networked agnostic PUDOpoint Counters.

"As a Company, we maintain focus on growth and conservative spending as we continue to pursue our end goal of activating 15,000 to 18,000 PUDOpoint Counters by the end of 2023," says PUDO CEO Frank Coccia. "I am supremely confident, having successfully negotiated these past six months, that our business plan is sound and that we are on the right path."

A complete copy of the condensed interim unaudited financial statements and the Management's Discussion and Analysis – Quarterly Highlights for the three and six month periods ended August 31, 2020 and 2019, can be found on the CSE website at www.thecse.com and on SEDAR at www.sedar.com.

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

For more information, please visit www.pudopoint.com.

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 \$827B retail 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.

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 or financial outlook has been prepared for the purpose of providing information about management's reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

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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