



**PUDO INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**

**QUARTERLY HIGHLIGHTS**

**FOR THE THREE MONTH PERIODS ENDED**

**MAY 31, 2021 and 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

**Prepared by:**

**PUDO Inc.**

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**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three Month Period Ended May 31, 2021**  
**Discussion dated: June 23, 2021**

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## **Introduction**

The following interim Management's Discussion and Analysis – Quarterly Highlights (the “Quarterly Highlights”) of the financial condition and results of the operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended May 31, 2021 (“Q1 FY 2022”), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three months ended May 31, 2021, the audited annual consolidated financial statements of the Company for the years ended February 28, 2021 and February 29, 2020, together with the notes thereto, and the Management's Discussion and Analysis (“Annual MD&A”) Report of the Company for the year ended February 28, 2021. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's unaudited condensed interim consolidated financial statements and financial information contained in these Quarterly Highlights were prepared in compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) using the accounting policies the Company adopted in its annual consolidated financial statements as at and for the year ended February 28, 2021, except for the adoption of new standards effective as of March 1, 2021 and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

Further information regarding the Company and its operations are available on the Company's website at [www.pudopoint.com](http://www.pudopoint.com) and under the Company's SEDAR issuer profile at [www.sedar.com](http://www.sedar.com), or upon request to the Company at 6600 Goreway Drive Unit D, Mississauga, Ontario, Canada, L4V 1S6.

## **Description of Business**

PUDO is listed on the Canadian Securities Exchange (“CSE”) under the symbol “PDO” and on the OTCQB exchange under the symbol “PDPTF”.

PUDO's purpose is to improve the connection between e-commerce and consumers. PUDO deploys their technology to provide consumers with convenient locations to Pick-Up or Drop-Off (“PUDO” or “Network”) e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) providers and courier companies, consumers can take secure delivery of their parcels or drop-off returns where, and when, it's convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (“PUDOpoint”). PUDOpoints are typically open extended hours, seven days a week to make it convenient for busy consumers to quickly and efficiently collect what they've ordered online or drop off what they need to return. The Company deploys its technology to provide consumers with convenient PUDOpoints (the “Network”) to pick-up and drop-off (“PUDO”) e-commerce parcels.

The Company's services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. Not only convenient, these services can also save money. Couriers don't have to attempt delivery a second or third time or make other arrangements with customers who aren't home. Retailers can ship directly to PUDOpoints saving residential delivery costs and reducing the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

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**Cautionary Note Regarding Forward-Looking Information**

These Quarterly Highlights contain certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements related to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements address possible future events, conditions and financial performance based upon management's current expectations, estimates, projections and assumptions.

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated May 26, 2021.

All forward-looking statements herein are expressly qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in these Quarterly Highlights are made only as of the date of these Quarterly Highlights or as of the date specified in such statement. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

**Highlights**

The World Health Organization declared a global emergency on January 30, 2020 as a result of the 2019 novel coronavirus ("COVID-19"), then characterized it as a pandemic on March 11, 2020. The outbreak spread globally causing companies and various jurisdictions, including Canada and the United States, to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions including closing the Canada – United States border. While these effects were expected to be temporary, and although some vaccines are being approved and administered, the duration of the business disruptions and the related financial impact cannot be reasonably estimated at this time. PUDO's consolidated results in FY 2022 have been negatively impacted by this event. The impact and extent of the outbreak continues to be unknown and will depend on future developments. The Company's employees were able to work from home to manage the PUDO Network in support of its partners and customers.

Below are a few Company highlights during Q1 FY 2022:

- 📍 Revenue was up 64.6% compared to the same quarter in the prior fiscal year as a result of increased returns and third party logistic parcel volumes as partners utilize PUDO's preferred shipping rates and other new services that are being provided by PUDO. This revenue increase was offset by decreased border member shipments of 47% as compared to the prior fiscal year as member shipments were directly impact by COVID-19 and the Canada-US border closure for the quarter.
- 📍 Management continued to invest in ongoing software development to enhance PUDO's current software technology and database structure to better manage API integration of PUDO's existing and new service offerings with current and new partners.
- 📍 In March 2021, PUDO launched the USA-Canada cross-border service through its Pay-As-you-GO (PAGO) program enabling PUDO and Kinek members to forward shipments from the USA to Canada. Through the PUDO Member portal, the service manages the logistics pathway for cross-border transit,

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customs-clearance, and neighborhood delivery to a PUDOpoint location at a low-cost rate for PUDO members.

- On April 22, 2021, PUDO announced a strategic partnership with National Retail Solutions ("NRS"), a division of IDT Corporation (NYSE: IDT), to facilitate the deployment and activation of additional PUDOpoint Counters with NRS retailers across the U.S. NRS is a point of sale and management system that helps increase sales and profit margins for independently owned convenience, grocery, QSR, liquor, tobacco, hardware and gas station c-stores. NRS serves over 14,000 retailer locations nationwide.

[https://webfiles.thecse.com/2021-04-22\\_PUDO-partners-with-NRS\\_Publish.pdf?ZaOUZqteryNN3mUJa85x2xH9xw4FuvLq](https://webfiles.thecse.com/2021-04-22_PUDO-partners-with-NRS_Publish.pdf?ZaOUZqteryNN3mUJa85x2xH9xw4FuvLq)

### **Capital Resources**

During Q1 FY2022, the Company completed the following capital transactions:

- In April 2021, the Company and a vendor mutually agreed to cancel 44,444 common shares due to the vendor not being able to meet the agreed-upon professional advisory services outlined in the agreements signed in October 2020.
- In April 2021, the Company agreed to issue 40,000 warrants to a vendor. 10,000 warrants are to be vested once the vendor issues a press release announcing the engagement. The remaining 30,000 will vest once the vendor meets predetermined milestones. The vendor will assist the Company in expanding their PUDOpoint network. For every 250 PUDOpoints that the vendor brings on board, 1,250 warrants will vest. The warrants carry an exercise price of USD \$1.20 and expire in April 2024. As of May 31, 2021, nil warrants have vested.

### **Operations**

#### **PUDOpoint Network**

The Company continued to focus on optimizing the PUDO Network to increase alignment with partner parcel volumes while leveraging the Network to develop new partner relationships and services that further enhance revenue opportunities. These focused efforts resulted in a new service being added and increased parcel volumes in PUDO's core revenue streams in the first quarter of this fiscal year from many of its current partners. IT integration and enhancements remain a strategic focus as the Company looks to increase efficiencies, add new partners, and grow revenue. Through strategic partnerships the Company is positioned well to add new PUDOpoint locations in Canada and the USA. This will provide new e-commerce retail partner locations for residential redirects, increased parcel volumes for direct to PUDOpoint deliveries, and add new revenue service offerings in the coming quarters. The Network remains uniquely positioned to offer cost effective convenient services for returns and to consumers who are looking for an alternative to home delivery.

#### **Parcel Volume Analysis**

Parcel volume and other factors within the e-commerce ecosystem can affect PUDO's goals and performance during its continued growth and evolution. During Q1 FY 2022 the COVID-19 pandemic impacted overall parcel volume being delivered within the PUDO Network. With many businesses shut down or working at reduced capacity and employees working from home, first time delivery failures decreased as someone was home to accept packages reducing the requirement for an alternative delivery location. PUDO's Network is comprised mainly of convenience stores that were deemed essential services. This allowed PUDO's partners to successfully utilize alternative delivery locations when they did require the Network. The PUDOpoints supported their local communities as a safe haven for parcel deliveries.

While the Company continued to strategically manage the growth and development of the Network throughout Q1 FY 2022, overall parcel volumes increased by 74.6% compared to the three month period

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ended May 31, 2020 ("Q1 FY 2021"). During this quarter, Q1 FY 2022, partner shipments increased 98.5% over the same quarter in the previous year. During the same three month period, member shipment volumes were down 47% relative to the year earlier quarter as a result of the Canada-USA border continuing to be closed to non-essential travel due to the COVID-19 pandemic. In Q1 FY 2022, partner shipments represented 95% of the Company's total volumes, up from 83.6% 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 ("For Pickup" or "FPU")*: During Q1 FY 2022, PUDO continued to see growth within the FPU service with parcel volumes increasing by 505% compared to Q1 FY 2021. In sequential quarters, courier pickup parcel volumes in Q1 FY 2022 as compared to period ended February 28, 2021 ("Q4 FY 2021") increased by 21.5%. These volumes increased as PUDO's courier partners increased their utilization of the PUDOpoint Network in Canada enabling their customers to use PUDOpoints locations as drop off sites for pre-labeled parcels for courier pickup and delivery.
- 📍 *Failed First Attempts ("FFA")*: During Q1 FY 2022, total FFA parcel volumes increased by 20.7% relative to Q1 FY 2021. In sequential quarters, parcel volumes in Q1 FY 2022 compared to Q4 FY 2021 decreased by 11.7%. This decrease between these sequential quarters is related to the prior quarter having holiday shopping along with the impact of COVID-19 and customers being home to accept their parcels, reducing the requirement of redirects to PUDO locations.
- 📍 *Third Party Logistics ("3PL")*: During Q1 FY 2022, 3PL parcel shipments increased by 101% over the prior year, Q1 FY 2021. The increase is a result of PUDO partners increasing the volume of parcel shipments that utilize PUDO's preferred shipping rates. In sequential quarters, 3PL parcel shipments in Q1 FY 2022 as compared to Q4 FY 2021 decreased by 28.2%. This decrease is a result of decreased online shopping following the holiday season in Q4 FY 2021.
- 📍 *Returns*: During Q1 FY 2022 returns parcels increased by 297% as compared to the prior year, Q1 FY 2021. In sequential quarters, returns parcel volume in Q1 FY 2022 as compared to Q4 FY 2021 increased by 238%. These increases are a result of PUDO's partners increasing the integration of their own clients' return requirements for use of the PUDO service as the value of this service offering provided by PUDO reduced costs for their clients.
- 📍 *Border Member*: During Q1 FY 2022 total member parcel volumes decreased by 47% relative to Q1 FY 2021. This decrease is a direct result of COVID-19 and the closure of the Canada – USA border to non-essential travel effective April 2020. In sequential quarters, parcel volumes in Q1 FY 2022 compared to Q4 FY 2021 increased by 5.8%. This is a result of the increased rate of vaccination against COVID-19 and the expectations that the Canada-USA border will open in the near future.
- 📍 *Pickup Counters*: Over 700 PUDOpoint Counter locations are available as "Hub Counters" in the USA and Canada as alternative delivery options for online shopping customers of a large US and Canada e-commerce retailer. These Hub Counters provide a location for safe and secure storage for parcels for pickup by the customer. During Q1 FY 2022 total Pickup Counter parcel volumes increased by 1,279% relative to Q1 FY 2021. The increase is a result of recruiting of new locations being added to the Hub Counter network during the prior year and now being fully utilized by the retailer's customers. In sequential quarters, Hub Counter parcel volumes in Q1 FY 2022 as compared to Q4 FY 2021 remained relatively the same.

As PUDO continues to expand and maintain its services, a greater number of stakeholder partners and consumer members will minimize parcel losses and reduce dependence on specific carriers as PUDO provides a courier agnostic network of locations.

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**Outlook**

“Triple and quadruple percentage increases in parcel volumes across multiple verticals over Q1 last year, confirm that the Company is gaining traction and validating its carrier-neutral click-and-collect parcel pick-up and drop-off model in both the United States and Canada,” says PUDO CEO Frank Coccia.

“Of particular significance has been the loyalty and enthusiasm with which major national partners like NRS (National Retail Services) have worked with us to grow our Network quickly to mutual benefit. As we move into a post-pandemic environment, and people return to work and life outside of the home, we expect significant, staged increases in FFA and border members volumes — two profitable verticals that between them represented the pre-pandemic core of our business — as well as new PUDO member service revenues from our new PAGO (PAy as You Go) suite of services. I anticipate a year of marked Network growth and profitability.”

**Financial Condition and Performance**

**Financial Performance**

A summary of selected financial information for the three month periods ended May 31, 2021 and 2020 is included below:

**PUDO Inc.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**  
**(Unaudited)**

|   | Three Months Ended<br>May 31, |                     |
|---|-------------------------------|---------------------|
|   | 2021                          | 2020                |
| Revenue   | \$ 516,247                    | \$ 313,633          |
| Cost of sales   | (359,887)                     | (209,157)           |
| <b>Gross profit</b>                                   | <b>156,360</b>                | <b>104,476</b>      |
| Administrative expenses                               | (449,688)                     | (388,038)           |
| Share-based compensation*                             | (77,408)                      | (39,351)            |
| <b>Operating loss</b>                                 | <b>(370,736)</b>              | <b>(322,913)</b>    |
| Finance costs   | (333)                         | (6,265)             |
| <b>Net loss and comprehensive loss for the period</b> | <b>(371,069)</b>              | <b>\$ (329,178)</b> |
| <b>Loss per share basic and diluted</b>               | <b>\$ (0.01)</b>              | <b>\$ (0.01)</b>    |

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

During the three month period ended May 31, 2021, revenue was \$516,247 (May 31, 2020 - \$313,633), representing an increase of 64.6% over the same period last year due to new partner volumes and the successful increased sale of additional PUDO services to current partners, offset by the decrease in Failed First Attempt parcels to PUDOpoints as a result of a higher number of consumers being at home to accept their parcels during COVID-19 along with decreased Border Member parcels due to the ongoing USA-Canada border closure.

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The Company reported a net loss of \$371,069 (\$0.01 basic and diluted loss per share), an increase of \$41,892 compared with a net loss of \$329,177 (\$0.01 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. The majority of this increased loss was attributable to an increase in administrative expenses as a result of the additional salaries due to increased customer support and finance staff, and an increase in non-cash expense related to share-based compensation, offset by a decrease in consulting, outsource fees and travel.

Gross profit for the three month period ended May 31, 2021 was \$156,360 (May 31, 2020 - \$104,476) representing an increase of \$51,884 or 49.7% over the same period last year. This is a result of increased parcel volumes utilizing the PUDO services including FFA, FPU, and returns that increased revenue which was offset by reduced border member shipping and higher costs associated with the recently launched cross border services while in pilot phase of implementation.

**Financial Condition**

As at May 31, 2021, the Company had total assets of \$1,052,411 (February 28, 2021 - \$1,393,448). This decrease was primarily attributed to the related costs associated with operations.

As at May 31, 2021, the Company had a working capital surplus of \$478,784 (February 28, 2021 – \$749,867), had not yet achieved profitable operations, had used cash in operating activities of \$202,883 for the three month period ended May 31, 2021 (May 31, 2020 - \$248,346), had a deficit of \$10,632,507 as at May 31, 2021 (February 28, 2021 - \$10,349,436) and had shareholders' equity of \$622,090 (February 28, 2021 – \$915,751). The continuing operations of the Company are dependent upon its ability to commence profitable operations and raise adequate financing in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future.

**Cash Flows**

During the three month period ended May 31, 2021, cash decreased by \$216,256 to \$533,452 (February 28, 2021 – \$749,708) due to \$202,883 cash used in operating activities, nil cash used in investing or financing activities, and due to the effects of translation of foreign currency further decreasing cash by \$13,373 (February 28, 2021 - \$6,295).

**Liquidity and Capital Resources**

As noted in the Annual MD&A and previous Quarterly Highlights, the Company generates limited cash from operations. The Company's primary source of cash to date has been through convertible debentures, promissory notes and equity financings. The Company's outstanding loans and borrowings as at May 31, 2021 are fully repaid.

|   | <b>May 31,<br/>2021</b> | <b>February 28,<br/>2021</b> |
|---|-------------------------|------------------------------|
| Loan payable (Atlantic Canada Opportunities Agency) |                         |                              |
| nil instalments repayable at \$4,458 per month      | \$ -                    | \$ 13,374                    |
| Less: Discount future contractual cash flows        | -                       | 329                          |
|   | -                       | 13,045                       |
| Less: Current portion                               | -                       | 13,045                       |
|   | \$ -                    | \$ -                         |



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The Company has a history of successfully raising the capital needed to operate and believes it can continue to raise any necessary capital. However, the history of losses reflects material uncertainty which may cast significant doubt on the ability of the Company to continue to operate as a going concern.

The unaudited condensed interim consolidated financial statements for the three month period ended May 31, 2021 have been prepared with the assumption that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the course of operations. They do not include any adjustments that may be required if it were not able to continue as a going concern. The Company's financial statements for the year ended February 28, 2021 contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

### **Related Party Transactions**

During the three month period ended May 31, 2021, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$10,350 (May 31, 2020 - \$29,850), to a company with a common officer and director.

During the three period ended May 31, 2020 and 2019, the Company had the following transactions with shareholders, management and directors:

|                          | <b>Three Months Ended<br/>May 31,</b> |             |
|--------------------------|---------------------------------------|-------------|
|                          | <b>2021</b>                           | <b>2020</b> |
| Share-based compensation | \$ 77,408                             | \$ 39,351   |
| Salaries and benefits    | 47,697                                | 38,952      |
| Consulting fees          | 10,072                                | 10,566      |
|                          | \$ 135,177                            | \$ 88,869   |

As at May 31, 2021, balances payable to the related parties noted above amounted to \$18,005 (February 28, 2021 - \$142,556) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

All related party transactions were made on terms equivalent to those that would prevail in arm's length transactions.

### **Subsequent events**

The Company evaluated subsequent events through June 23, 2021, the date these Interim Management's Discussion & Analysis - Quarterly Highlights were approved and authorized for issue. There were no material subsequent events that required recognition or additional disclosure in the Interim Management's Discussion & Analysis - Quarterly Highlights.

### **Risk Factors**

The Annual MD&A for the year ended February 28, 2021, dated May 26, 2021 and filed on SEDAR ([www.sedar.com](http://www.sedar.com)), sets out a brief summary of certain risk factors for which adverse occurrences may have



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a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of risk factors. No significant changes to those risk factors have occurred in the 2022 fiscal year and to the date of this report, other than the impact of the COVID-19 pandemic on the general North American economy, and more specifically on PUDO's operations. This continues to be monitored by PUDO's management team as their customers, partners and members recover from the impact of the COVID-19 outbreak.