

POSaBIT Reports Third Quarter 2020 Financial Results

Company achieves profitability for first time, anticipates further growth in Q4 and beyond

TORONTO & SEATTLE--(BUSINESS WIRE)--November 9, 2020--POSaBIT Systems Corporation (CSE: PBIT), a leading financial technology company delivering unique payment processing and point-of-sale (POS) systems for cash-only businesses with a focus on the cannabis industry, is pleased to report its financial results for the three and nine months ended September 30, 2020.

POSaBIT announced record revenue growth and achieved adjusted EBITDA profitability during the third quarter of 2020. Revenue grew by 56% and gross margin dollars grew 97% in Q3 2020 vs Q2 2020. Revenue for the quarter increased 130% compared to Q3 2019. Adjusted EBITDA profitability was \$161,830 USD for the quarter, representing the first time in the company's four-year history that POSaBIT has had an adjusted EBITDA profitable quarter.

"POSaBIT is tracking to a record year of both sales and profits. We continue to see amazing growth in our business due to our continued expansion of POSaBIT into new states, strong sales due to POSaBIT's contactless payment system during Covid-19, and the release of POSaBIT's new Unlimited Point of Sale service, which is receiving significant sales adoption. We are on track to triple the amount of transactional sales we process year-over-year and to double our annual revenue," said Ryan Hamlin, co-founder and CEO of POSaBIT.

Financial Results

US dollars

	3 months ended September 30,		9 months ended September 30,	
	2020	2019 (restated ¹)	2020	2019 (restated ¹)
Total Revenue	\$ 2,329,878	\$ 1,009,041	\$ 4,765,132	\$ 2,723,538
Total Cost of Sales	1,754,779	854,588	3,826,810	2,408,423
Gross Margin	\$ 575,099	\$ 154,453	\$ 938,322	\$ 315,115
Total Operating Expenses	\$ 643,104	\$ 870,169	\$ 1,843,478	\$ 4,377,846
Total Other Income (Expenses)	(32,470)	(22,874)	16,134	(433)
Loss before discontinued operations	\$ (100,475)	\$ (738,590)	\$ (889,022)	\$ (4,063,164)
Income (Loss) from discontinue Operations	-	(74,459)	(246,503)	19,355
Loss	\$ (100,475)	\$ (813,049)	\$ (1,135,525)	\$ (4,043,809)
Basic and Diluted Loss per Common Shares	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.08)
Basic and Diluted Weighted-Average Number of Common Shares				
Outstanding	97,252,826	74,528,919	96,006,407	49,513,140

¹2019 comparative amounts have been restated to reflect current disclosure regarding discontinued operations of the DoubleBeam business (that was sold in May 2020)

Third Quarter 2020 Financial Summary Transactional Sales

Transactional sales totaled \$42.2 million, representing an increase of 166% compared with \$15.9 million in third quarter 2019.

Revenue

Total revenue was \$2.33 million, up 131% compared with \$1.01 million in third quarter 2019.

Gross Margin

Gross margin was \$575 thousand (25%), up 272% compared with a gross margin of \$154 thousand (15%) in third quarter 2019.

Loss

Loss for the quarter was \$100 thousand, down 709% compared with a loss of \$813 thousand for the comparative period.

Adjusted EBITDA

Adjusted EBITDA profit was \$162 thousand, compared to an Adjusted EBITDA loss of \$118 thousand in the second quarter of 2020.

Adjusted EBITDA is a non-IFRS financial measure used by management that does not have any prescribed meaning under IFRS and that may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as POSaBIT US's (the Company's operating subsidiary) net income or loss generated for the period as reported, before interest, taxes (including sales taxes), depreciation and amortization (categorized as operating costs) and is further adjusted to remove changes in fair values and expected credit losses, foreign exchange, gains and/or losses, impairments (all categorized as other expenses) and the Canadian segment operational loss of its parent company, all as reported. The Company believes this is a useful metric to evaluate its core operating performance.

The following table reconciles Adjusted EBITDA to net loss, as reported.

	3 months ended	
	September 30, 2020	June 30, 2020
Loss, as reported	\$(100,475)	\$(242,307)

Add back interest, as reported	19,685	90,891
Add back sales taxes, as reported	40,992	26,680
Add back depreciation and amortization, as reported	86,555	89,878
Add back changes in fair values of financial instruments, as reported	(199)	1,041
Add back changes in expected credit losses, as reported	12,251	5,672
Add back other losses (gains) and impairments, as reported	733	(142,580)
Add back Canadian-segment loss (including stock-based compensation, foreign exchange gains/losses, professional fees and other public company costs), as reported	102,288	53,021
Adjusted EBITDA	161,830	(117,704)

Financial Reports

Full details of the financial and operating results for the third quarter 2020 are described in the company's consolidated financial statements with accompanying notes. The consolidated financial statements and additional information about POSaBIT are available on the company's website at www.posabit.com/investor-relations or on SEDAR at www.sedar.com.

Financial Outlook

POSaBIT provides guidance based on current market conditions and expectations. Please refer to the comments below regarding forward-looking statements.

POSaBIT updated its full year 2020 outlook to be:

- Revenue to grow in the range of approximately 80% to 95% year over year
- Continue adjusted EBITDA profitability in Q4 2020
- Transactional sales have been updated and will now grow more than originally forecasted to approximately USD \$145 million, assuming the average store processes between USD \$350,000 and USD \$600,000 per year through the POSaBIT service
- Cost of sales in the range of \$3.5 million to \$4.0 million
- To expand POSaBIT's footprint to end 2020 in 15 to 20 recreational and medical states.

Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding our business strategy, product development, timing of product development, events and courses of action.

Statements which are not purely historical are forward-looking statements and include any statements regarding beliefs, plans, outlook, expectations or intentions regarding the future including words or phrases such as "anticipate," "objective," "may," "will," "might," "should," "could," "can," "intend," "expect," "believe," "estimate," "predict," "potential," "plan," "is designed to" or similar expressions suggesting future outcomes or the negative thereof or similar variations. Forward-looking statements may include, among other things, statements about: our expectations regarding our expenses, sales and operations; our future customer concentration; our anticipated cash needs and our estimates regarding our capital requirements and our need for additional financing; our ability to anticipate the future needs of our customers; our plans for

future products and enhancements of existing products; our future growth strategy and growth rate; our future intellectual property; and our anticipated trends and challenges in the markets in which we operate. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which POSaBIT will operate in the future, including the demand for our products, anticipated costs and ability to achieve goals. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, you should not unduly rely on these forward-looking statements

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements, including but not limited to, business, economic and capital market conditions; the ability to manage our operating expenses, which may adversely affect our financial condition; our ability to remain competitive as other better financed competitors develop and release competitive products; regulatory uncertainties; market conditions and the demand and pricing for our products; our relationships with our customers, distributors and business partners; our ability to successfully define, design and release new products in a timely manner that meet our customers' needs; our ability to attract, retain and motivate qualified personnel; competition in our industry; our ability to maintain technological leadership; our ability to manage risks inherent in foreign operations; the impact of technology changes on our products and industry; our failure to develop new and innovative products; our ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of intellectual property litigation that could materially and adversely affect our business; our ability to manage working capital; and our dependence on key personnel. POSaBIT is an early stage company with a short operating history; it may not achieve profitability; and it may not actually achieve its plans, projections, or expectations.

Important factors that could cause actual results to differ materially from POSaBIT's expectations include consumer sentiment towards POSaBIT's products and blockchain/cryptocurrency exchange technology generally, litigation, global economic climate, loss of key employees and consultants, additional funding requirements, changes in laws, technology failures, competition, and failure of counterparties to perform their contractual obligations.

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About POSaBIT

POSaBIT (CSE: PBIT) is a financial technology company that delivers unique and innovative, blockchain-enabled payment processing and point-of-sale systems for cash-only businesses. POSaBIT specializes in resolving pain points for complex, high-risk, emerging industries like

cannabis with an all-in-one solution that is compliant, user-friendly and utilizes top-of-the-line hardware. POSaBIT's unique solution provides a safer and transparent environment for merchants while creating a better overall experience for the consumer. For additional information, visit: www.posabit.com.

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