

POSaBIT Reports Fourth Quarter and Full Year 2021 Financial Results

Full Year 2021 Revenue of \$21.3 Million, up 172%

Raises Full Year 2022 Revenue Guidance to \$37 to \$40 Million

TORONTO & SEATTLE--(BUSINESS WIRE)--April 28, 2022--POSaBIT Systems Corporation (“POSaBIT” or the “Company”) (CSE: PBIT, OTC:POSAF), a leading provider of payments infrastructure in the cannabis industry, today announced its financial results for the three and 12-months ended December 31, 2021.

“We exited 2021 with record revenue and accelerating momentum towards another year of growth and expansion,” said Ryan Hamlin, CEO and Co-founder of POSaBIT. “We exceeded the high end of our revenue guidance with \$21.3 million in annual revenue and extended our record of doubling revenue each year since 2017. Transactional sales volume increased by more than 174% in 2021, a strong indication of our expanding geographic footprint as well as the accelerating adoption of electronic payment solutions across the industry. We have grown our business with limited investment delivering exponential growth and positive adjusted EBITDA in four of the last six quarters. Increasingly, cannabis merchants are gravitating towards electronic payment solutions for increased security and convenience for their customers, and our open platform gives merchants choice on how they want to build their processing infrastructure. In addition, there are a number of emerging opportunities in the cannabis market that we are eager to explore and further develop our business.”

Hamlin continued, “Looking ahead, we anticipate continued strong growth of our payments business as well as rapid expansion of our POS footprint into new states. Based on our current installed base and merchants under contract, we are raising our full year 2022 revenue guidance to between \$37 and \$40 million, which represents growth of more than 80% at the midpoint compared to 2021.”

Recent Operational Highlights

- Entered three new markets, Georgia, Texas and West Virginia, expanding geographic presence to 18 U.S. states across CBD and cannabis markets
- Entered CBD market with point-of-sale solution; now live in more than 20 brick and mortar CBD locations nationwide
- Entered into an agreement with dispensary chain Lume, with 32 locations in Michigan that the Company expects to be fully onboarded with POSaBIT by the end of Q2 2022
- Entered into agreements with additional large Multi-State Operators
- Completed the Company’s largest processing day in its history on 4/20/2022 with 100% uptime for the sixth 4/20 in a row
- Shipped several safety related enhancements on the POSaBIT Point of Sale to help promote a safer work environment for all store employees

Fourth Quarter 2021 Financial Highlights

- Transactional sales for Card Services totaled \$102.6 million, up 96% compared with \$52.4 million in the fourth quarter of 2020
- Total revenue was \$6.4 million, up 110% compared with \$3.1 million in the fourth quarter of 2020
- Gross profit was \$1.5 million, or 23.0% of revenue, up 86% on a dollar basis compared with \$797,000, or 26.1% of revenue in the fourth quarter of 2020
- Net loss was \$(2.3) million, inclusive of a \$(519,000) non-cash change in the fair value of derivative liabilities, compared with a loss of \$(116,000), inclusive of a \$(78,000) non-cash change in the fair value of derivative liabilities in the fourth quarter of 2020.
- Adjusted net loss was \$(1.8) million, which excludes a \$(519,000) non-cash change in fair value of derivative liabilities, compared with an Adjusted net loss of \$(38,000), which excludes a \$(78,000) non-cash change in fair value of derivative liabilities in the fourth quarter of 2020.
- Adjusted EBITDA was \$(1.1) million, or (17%) of revenue, compared with \$134,000, or 4% of revenue, in the fourth quarter of 2020

Full Year 2021 Financial Highlights

- Transactional sales for Card Services totaled \$362 million, up 174% compared with \$132 million in 2020
- Total revenue was \$21.3 million, up 172% compared with \$7.8 million in 2020
- Gross profit was \$5.8 million, or 27.0% of revenue, up 232% on a dollar basis compared with \$1.7 million, or 22.2% of revenue in 2020
- Net loss was \$(10.6) million, inclusive of a \$(9.7) million, non-cash change in fair value of derivative liabilities, compared with a net loss of \$(1.3) million, inclusive of a \$(78,000) non-cash change in fair value of derivative liabilities in 2020.
- Adjusted net loss was \$(0.8) million, which excludes a \$(9.7) million, non-cash change in fair value of derivative liabilities, compared with an Adjusted net loss of \$(1.2) million, which excludes a \$(78,000) non-cash change in fair value of derivative liabilities in 2020.
- Adjusted EBITDA was \$(1.2) million, or (6%) of revenue, compared with \$(558,000), or (7%) of revenue, in 2020

Warrants and Cash Update

As of December 31, 2021, the Company had cash of approximately \$4.4 million compared to approximately \$1.0 million as of December 31, 2020. This increase was partially driven by approximately \$3.9 million of cash received from the exercise of 20,466,927 outstanding warrants during 2021.

Financial Results

in US Dollars

	Three months ended			12 months ended		
	Dec. 31, 2021	Dec. 31, 2020	% Change	Dec. 31, 2021	Dec. 31, 2020	% Change
Revenue	6,433,497	3,057,600	+110%	21,301,749	7,822,732	+172%
Cost of goods sold	4,950,653	2,260,857	+119%	15,542,552	6,087,668	+155%
Gross profit	1,482,844	796,743	+86%	5,759,197	1,735,064	+232%

<i>Gross profit margin</i>	23.0%	26.1%	(301) bps	27.0%	22.2%	+490 bps
Operating costs	2,813,991	704,319	+300%	5,888,677	2,547,797	+131%
Operating loss	(1,331,147)	92,424	(1,540%)	(129,480)	(812,733)	(84%)
Other expenses (income)	(938,804)	(351,021)	(167%)	(10,436,226)	(334,887)	(3,016%)
Loss before discontinued operations	(2,269,951)	(258,597)	(778%)	(10,565,706)	(1,147,620)	(821%)
Income / (Loss) from discontinued operations	--	142,822	--	--	(103,681)	--
Net loss	(2,269,951)	(115,775)	(1,861%)	(10,565,706)	(1,251,301)	(744%)

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

	Year ended		
	Dec. 31, 2021	Dec. 31, 2020	
Loss from continuing operations, as reported	(10,565,707)	(1,147,620)	
Add back: depreciation and amortization	245,046	349,935	
Add back: share-based compensation, as reported	763,792	132,025	
Add back / (deduct): foreign exchange (gains) / losses	(2,076,501)	(227,518)	
Add back / (deduct): change in fair value of financial instrument, as reported	(12,632)	1,613	
Add back / (deduct): change in expected credit loss, as reported	(309)	57,179	
Add back: fair value of derivative instrument, as reported	9,736,792	77,688	
Add back finance costs, as reported	173,737	178,670	
Deduct government assistance, as reported	-	(119,465)	
Add back loss on disposal of discontinued operations, as reported	-	55,000	
Add back loss on related party-loan, as reported	219,379	-	
Add back: disposal of assets, as reported	1,301	1,903	
Add back: one-time processor penalty, as reported	200,000	-	
Add back/ (deduct): transaction costs, as reported	118,072	82,299	
Adjusted EBITDA	(1,197,144)	(558,292)	
	Three months ended		
	Dec. 31, 2021	Dec. 31, 2020	Sep. 30, 2021
Loss from continuing operations, as reported	(2,269,951)	(258,597)	(6,903,441)
Add back: depreciation and amortization	57,197	77,053	60,603
Add back: share-based compensation, as reported	290,740	53,560	276,766
Add back / (deduct): foreign exchange (gains) / losses	(83,274)	(168,449)	(1,893,525)
Add back / (deduct): change in fair value of financial instrument, as reported	(11,900)	(2,076)	(424)
Add back / (deduct): change in expected credit loss, as reported	(4,804)	66,627	5,725
Add back: fair value of derivative instrument, as reported	519,301	77,688	7,856,498
Add back/(Deduct): finance costs, as reported	21,634	(29,082)	(23,487)
Deduct government assistance, as reported	-	(119,465)	-
Add back loss on disposal of discontinued operations, as reported	-	197,580	112,500
Add back loss on related party-loan, as reported	219,379	-	-
Add back: disposal of assets, as reported	-	242	-
Add back: one-time processor penalty, as reported	200,000	-	-
Add back/ (deduct): transaction costs, as reported	(3,759)	82,299	-
Adjusted EBITDA	(1,066,484)	134,011	(508,785)

2022 Outlook

The Company provides the following guidance for the full year 2022.

	FY 2022
Total Revenue	\$37.0 – \$40.0 million
Transaction sales for card services	\$675 - \$730 million
Gross Profit Dollars	\$9.0 - \$10.0 million

Conference Call Information

Date: April 28, 2022
Time: 4:30 pm Eastern Time
Toll-Free: 888-506-0062
International: 973-528-0011
Entry Code: 353783
Live Webcast: <https://www.webcaster4.com/Webcast/Page/2708/44978>

Conference Call Replay Information:

The replay will be available approximately 1 hour after the completion of the live event.

Toll Free: 877-481-4010
International: 919-882-2331
Replay Passcode: 44978

Replay Webcast: <https://www.webcaster4.com/Webcast/Page/2708/44978>

Financial Reports

Full details of the financial and operating results are described in the Company's consolidated financial statements with accompanying notes and related management's discussion and analysis for the three and twelve months ended December 31, 2021 (collectively, the "FY 2021 Financial Statements and MD&A"). The FY 2021 Financial Statements and MD&A 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 .

Non-IFRS Measures

Adjusted EBITDA and Adjusted net loss are non-IFRS measures used by management that do not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as net income or loss generated for the period as reported, before interest, taxes, depreciation and amortization and is further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains and/or losses, impairments. The Company defines Adjusted net loss as net loss generated for the period as reported adjusted to remove changes in the fair values of derivative liabilities. The Company believes these non-IFRS measures are useful metrics to evaluate its core operating performance and uses these measures to provide shareholders and others with supplemental

measures of its operating performance. The Company also believes that securities analysts, investors and other interested parties, frequently use these non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. We caution readers that Adjusted EBITDA should not be substituted for determining net loss as an indicator of operating results, or as a substitute for cash flows from operating and investing activities.

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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Financial Outlook

This press release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of the Company to provide an outlook for the Company's forecasted revenue, transaction sales for card services and gross profit for the 12 months to be ended December 31, 2022 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements" herein. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward-Looking Statements" herein, it should not be relied on as necessarily indicative of future results.

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.

Contacts

Investor Relations:

investors@posabit.com

Media Relations:

Oscar Dahl
855-767-2248
oscar@posabit.com

Management:

Ryan Hamlin
Co-founder and CEO of POSaBIT
855-767-2248
investors@posabit.com

Hayden IR
James Carbonara
(646) 755-7412
james@haydenir.com