

POSaBIT Reports First Quarter 2022 Financial Results

Revenue increased 79% to \$6.4 Million

Exited First Quarter with Largest Monthly Transactional Sales Volume

Reiterates Full Year 2022 Revenue Guidance of \$37 to \$40 Million

TORONTO & SEATTLE--(BUSINESS WIRE)--May 26, 2022--POSaBIT Systems Corporation (CSE: PBIT, OTC: POSAF), the leading provider of payments infrastructure in the cannabis industry, today announced its financial results for the three months ended March 31, 2022.

“We continued to onboard new merchants during the first quarter, primarily higher volume stores that, when coupled with anticipated same-store growth from our existing store footprint, reinforces our optimism for another year of exponential growth in 2022,” said Ryan Hamlin, CEO and Co-founder of POSaBIT. “Transactional sales volume began accelerating again towards the end of the first quarter with March transactional volume representing the largest month in our corporate history and that trend continued into the second quarter. To further drive growth, we unified our sales, marketing and customer support teams under the leadership of our new CRO, Julie Solomon, an experienced and accomplished executive in the fintech space. We are thrilled to add an executive of Julie’s caliber who will help us grow sales with existing retailers, add new retailers and expand into new markets.”

Hamlin continued, “Based on our current visibility, we are reaffirming our full-year 2022 revenue guidance of between \$37 and \$40 million, which represents growth of more than 80% at the midpoint compared to 2021.”

Recent Operational Highlights

- Onboarded 44 of the 100+ newly booked stores since the May 3, 2022 public Q&A call
- Increased count of contracted stores by additional 20% since the May 3, 2022 public Q&A call
- Increased same store sales of top 20 locations by volume by 11% (Q1 2022 vs. Q1 2021)
- Completed largest processing day in company’s history and sixth consecutive year of 100% uptime on 4/20/2022
- Expanded leadership team with the appointment of Julie Solomon to the role of Chief Revenue Officer

First Quarter 2022 Financial Highlights

- Transactional sales for payment Services totaled \$103 million, up 61% compared with \$64.0 million in the first quarter of 2021
- Total revenue was \$6.4 million, up 79% compared with \$3.5 million in the first quarter of 2021
- Gross profit was \$1.5 million, or 24% of revenue, up 70% on a dollar basis compared with \$900,000, or 25.4% of revenue in the first quarter of 2021

- Net loss was \$(470,000), inclusive of a \$1.6 million non-cash change in fair value of derivative liabilities, compared with a net loss of \$(514,000), inclusive of a \$(322,000) non-cash change in fair value of derivative liabilities in the first quarter of 2021.
- Adjusted EBITDA was \$(1) million, or (16%) of revenue, compared with \$71,000, or 20.0% of revenue, in the first quarter of 2021

Warrants and Cash Update

As of March 31, 2022, the company had cash of approximately \$3.2 million compared to approximately \$4.4 million as of December 31, 2021.

Financial Results

<i>in US Dollars</i>	Three months ended		
	March 31, 2022	March 31, 2021	% Change
Revenue	6,359,733	3,546,343	+79.3%
Cost of goods sold	4,832,766	2,646,627	+82.6%
Gross profit	1,526,967	899,716	+69.7%
<i>Gross profit margin</i>	<i>24.0%</i>	<i>25.4%</i>	<i>(140) bps</i>
Operating costs	3,556,180	1,036,709	+243%
Operating loss	(2,029,213)	(136,993)	(1,381.3%)
Other expenses (income)	1,559,459	(367,757)	(524%)
Net loss	(469,754)	(514,082)	+8.6%

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

	Three months ended		
	March 31, 2022	March 31, 2021	Dec. 31, 2021
Loss, as reported	(469,754)	(514,080)	(2,269,951)
Add back: depreciation and amortization	57,470	74,152	57,197
Add back: share-based compensation, as reported	659,919	56,458	290,740
Add back / (deduct): foreign exchange (gains) / losses	320,202	107,156	(83,274)
Add back / (deduct): change in fair value of financial instrument, as reported	3,046	(2,151)	(11,900)
Add back / (deduct): change in expected credit loss, as reported	(1,993)	(8,636)	(4,804)
Add back: fair value of derivative instrument, as reported	(1,637,649)	322,381	519,301
Add back/(Deduct): finance costs, as reported	21,546	34,186	21,634
Add back interest accretion, as reported	30,129	20,676	(1,047)
Add back loss on disposal of discontinued operations, as reported	-	-	-
Add back loss on related party-loan, as reported	-	-	219,379
Add back: disposal of assets, as reported	-	1,301	-
Add back: one-time processor penalty, as reported	-	-	200,000
Add back/ (deduct): transaction costs, as reported	25,462	9,331	(3,759)
Adjusted EBITDA	(991,622)	100,774	(1,066,484)

2022 Outlook

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

	FY 2022
Total Revenue	\$37.0 to \$40.0 million
Transaction sales for card services	\$675 to \$730 million
Gross Profit Dollars	\$9.0 to \$10 million

Conference Call Information

Date: May 26, 2022

Time: 4:30 pm Eastern Time

Toll-Free: 888-506-0062

International: 973-528-0011

Entry Code: 852067

Live Webcast: <https://www.webcaster4.com/Webcast/Page/2708/45639>

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: 45639

Replay Webcast: <https://www.webcaster4.com/Webcast/Page/2708/45639>

Financial Reports

Full details of the financial and operating results 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.

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.

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