

POSaBIT Reports Second Quarter 2022 Financial Results

Revenue of \$8.2 Million; Up 66% Year-over-Year and 29% Sequentially

*Raises Low End of Full Year 2022 Gross Profit Guidance; Expects \$9.5 to \$10.0 Million
Reiterates Full Year 2022 Revenue Guidance of \$37 to \$40 Million*

TORONTO & SEATTLE--(BUSINESS WIRE)--August 25, 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 June 30, 2022.

“Second quarter revenue of \$8.2 million was up 29% sequentially, showing strong growth over the first quarter,” said Ryan Hamlin, CEO and Co-founder of POSaBIT. “We successfully onboarded more than 100 locations in the second quarter and now have more than 500 merchant contracts that are leveraging our solutions. The increasing adoption of electronic payments in lieu of cash across the industry, combined with our continued onboarding of new merchants at a steady pace, enabled us to outperform the industry and increase our market share. Stabilizing industry trends, our plans for additional installations in the coming months, the new onboarding of the largest privately held MSO with operations in seven states and the recently announced guaranteed \$20 million partnership with a large technology provider, reinforces our optimism for continued growth and achieving our revenue and profit targets for 2022. Deals like this set us up not only for a great year this year but for many years to come.”

Hamlin continued, “July was the first month in Company history with over \$3 million in revenue and 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, and increasing the lower end of our gross profit guidance range from \$9.0 million to \$9.5 million. Furthermore, we expect to return to positive Adjusted EBITDA in 2023.”

Recent Operational Highlights

- Signed a four-year, guaranteed \$20 million partnership with a large cannabis technology provider
- Began deployment of the largest privately held MSO with operations in seven states and over 60 locations
- Onboarded 100+ newly booked stores in Q2
- Entered New Mexico market with ‘go live’ of Point-of-Sale (POS) solution at multiple locations
- Installed a record number of POS solutions during Q2; increased POS base by 27% sequentially
- Current pipeline of over 100 opportunities
- Strengthened balance sheet with secondary capital raise of \$3.8 million in net proceeds in a private placement transaction with existing institutional investors

- Cash and Cash equivalents were \$5.2 million at June 30, 2022, or \$9.1 million including the \$3.9 million received in August 2022 as part of our \$20 million agreement. Balance sheet is in the strongest cash position in the company's history.

Second Quarter 2022 Financial Highlights

- Transactional sales for payment Services totaled \$129 million, up 48% compared with \$87.3 million in the second quarter of 2021, and up 25% compared with \$103 million in Q1 2022
- Total revenue was \$8.2 million, up 66% compared with \$5.0 million in the second quarter of 2021
- Gross profit was \$2.0 million, or 24% of revenue, up 49% on a dollar basis compared with \$1.3 million, or 26.5% of revenue in the second quarter of 2021
- Operating loss was \$(4.0) million, inclusive of a \$2.7 million non-cash change in the fair value of foreign currencies, compared with operating income of \$222,000 in the second quarter of 2021
- Net income was \$380,000, inclusive of a \$4.7 million non-cash change in fair value of derivative liabilities, compared with a net loss of \$(878,000), inclusive of a \$(1.0) non-cash change in fair value of derivative liabilities in the second quarter of 2021
- Adjusted EBITDA was \$(661,000), or (8.0)% of revenue, compared with \$207,000, or 4.2% of revenue, in the second quarter of 2021

Balance Sheet

As of June 30, 2022, the company had cash and funds held in trust of approximately \$5.2 million compared to approximately \$4.4 million as of December 31, 2021.

Subsequent to quarter end, the company received \$3.9 million in cash pursuant to the terms of a license agreement with a cannabis technology provider. The sum represents the minimum royalty fees for the first year of the agreement.

Financial Results

in US Dollars

	Three months ended			Six months ended		
	June 30, 2022	June 30, 2021	% Chg.	June 30, 2022	June 30, 2021	% Chg.
Revenue	8,229,936	4,958,332	66.0%	14,589,669	8,504,675	71.5%
Cost of goods sold	6,268,028	(3,642,734)	72.1%	11,100,794	6,289,359	76.5%
Gross profit	1,961,908	1,315,598	49.1%	3,488,875	2,215,316	57.5%
<i>Gross profit margin</i>	<i>23.8%</i>	<i>26.5%</i>	<i>(270)bps</i>	<i>23.9%</i>	<i>26.1%</i>	<i>(220)bps</i>
Operating costs	5,934,046	1,094,439	454.0%	9,490,226	2,131,148	351.4%
Operating income (loss)	(3,972,138)	221,162	N/M	(6,001,351)	84,167	N/M
Other expenses (income)	4,351,992	(1,099,394)	N/M	5,911,451	(1,476,482)	N/M

Net loss	379,854	(878,235)	N/M	(89,900)	(1,392,315)	+93.5%
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N/M - Not meaningful

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

<i>in US Dollars</i>	Three months ended		
	June 30, 2022	June 30, 2021	March 31, 2022
Income (loss), as reported	379,854	(469,754)	(878,235)
Add back / (deduct): foreign exchange gains, as reported	2,743,539	320,202	(206,858)
Add back: share-based compensation, as reported	511,604	659,919	139,828
Add back / (deduct) change in fair values of financial instruments, as reported	2,467	3,046	1,843
Add back amortization and depreciation, as reported	56,299	57,470	53,094
Add back / (deduct): change in expected credit loss, as reported	2,942	(1,993)	7,406
Add back interest expense (exclusive of interest accretion), as reported	22,816	21,546	29,464
Add back interest accretion, as reported	39,212	30,129	22,183
Add back / (deduct) change in fair value of derivative liability, as reported	(4,686,054)	(1,637,649)	1,038,498
Add back loss on disposal of assets, as reported	715	-	-
Add back loss on related-party loan, as reported	-	-	-
Add back: one-time processor penalty, as reported	-	-	-
Add back/ (deduct): transaction costs, as reported	265,910	25,462	-
Adjusted EBITDA	(660,696)	(991,622)	207,223

2022 Outlook

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

	As of May 26, 2022	As of August 25, 2022
Total Revenue	\$37.0 to \$40.0 million	\$37.0 to \$40.0 million
Gross Profit Dollars	\$9.0 to \$10.0 million	\$9.5 to \$10.5 million
Transactional sales for card services	\$675 to \$730 million	\$600 to \$700 million

Revenue guidance remains unchanged and the lower end of the gross profit guidance has been increased to \$9.5 million. Previous guidance on transactional sales for card services was \$675 to \$730 million and is \$600 to \$700 million.

Conference Call Information

Date: August 25, 2022
Time: 4:30 pm Eastern Time
Toll-Free: 888-506-0062
International: 973-528-0011
Entry Code: 742426
Live Webcast: <https://www.webcaster4.com/Webcast/Page/2708/46302>

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: 46302
Replay Webcast: <https://www.webcaster4.com/Webcast/Page/2708/46302>

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.

Neither we nor any of our representatives make any representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of the information in this news release.

Neither we nor any of our representatives shall have any liability whatsoever, under contract, tort, trust or otherwise resulting from the use of the information in this news release or for omissions from the information in this news release.

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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