

POSaBIT Reports Fourth Quarter and Full-Year 2022 Financial Results

POSaBIT continues streak of doubling, or nearly doubling, revenue for 5 consecutive years

Raises FY 2023 Financial Guidance to Include Acquisition of Hypur Assets

Updated Accounting Treatment of Software License Agreement

TORONTO & SEATTLE--(BUSINESS WIRE)--April 26, 2023--**POSaBIT Systems Corporation** (CSE: PBIT, OTC: POSAF) (the “**Company**” or “**POSaBIT**”), a leading provider of payments infrastructure in the cannabis industry, today announced its financial results for the three and 12 months ended December 31, 2022.

“In 2022, POSaBIT achieved record level revenue and continued our streak of doubling or nearly-doubling revenues for five consecutive years,” said Ryan Hamlin, CEO and Co-founder of POSaBIT. “We met our core financial guidance metrics, signed our first point-of-sale royalty licensing agreement, added eight new states to our geographic coverage as promised and ended the year with a strong balance sheet. At a time when there is economic uncertainty and the cannabis industry is struggling, we are growing.”

“Looking ahead, we are focused on continuing to grow our business organically by adding new merchants and driving same-store sales growth at existing locations by fully integrating both our point-of-sale and payments platforms. This includes our fully compliant PIN debit, B2C and B2B ACH payments,” continued Hamlin. “Our pipeline is larger and more robust than at any other point in our corporate history. At the same time, the cannabis industry remains highly fragmented and there are a number of companies that are showing signs of distress. We continue to evaluate potential opportunities that could be a strategic fit at the right price with our existing business and, importantly, we have the capital resources to be an aggressive acquirer for the right opportunities.”

Hamlin concluded, “Integration of the Hypur assets that we acquired earlier this month is progressing as expected. We are raising our 2023 guidance to include our expectations for these assets. We expect to grow 2023 revenue to \$60 million and gross profit to \$13.5 million, each at the midpoint, that is a 62% increase in revenue from our guidance in 2022, after adjusting for the updated accounting treatment.”

Updated Accounting Treatment of Software License Agreement

As part of our year end audit, it was determined that the software license agreement previously announced on August 23, 2022, should be accounted for as right to use instead of right to access, under IFRS 15. This change resulted in accelerated recognition of all of the licensing revenue under the licensing agreement in the year ended December 31, 2022. There are no changes to the economics of the underlying agreement or the timing of cash flows. Below is an explanation of the new accounting treatment and its impact on 2022 financials.

POSaBIT recognized approximately \$15.2 million in revenue in 2022 for the software license and support services. The remaining balance will be recognized on a straight-line basis over the remainder of the contract, resulting in approximately \$1.5 million of revenue in each year from 2023 to 2025 and \$0.8 million in 2026.

Impact on 2022

The change in accounting treatment of the licensing agreement resulted in an increase of approximately \$12.8 million in 2022 revenue, resulting in total 2022 revenue of approximately \$49.8 million. If the contract were accounted for under the prior accounting methodology, 2022 revenue would have been approximately \$37 million and gross profit would have been approximately \$10 million, in-line with the previously provided guidance.

Recent Operational Highlights

- Acquired certain assets from Hypur Inc. (“**Hypur**”) in a cash and equity transaction valued at up to US \$7.5 million, implying a purchase price multiple of 1.4x of Hypur’s 2022 revenue
- Received notice of termination from Akerna for our previously announced acquisition of MJ Freeway, Leaf Data Systems and Amply Organics, after POSaBIT opted not to increase the initial bid.
- Strengthened C-suite with appointment of Chris Baker as Chief Strategic Officer, Sarah Mirsky-Terranova as Chief Compliance Officer, and Michael J. Sinnwell, Jr. as Chief Payments Officer
- Cash and cash equivalents were \$3.1 million at December 31, 2022.

Fourth Quarter 2022 Financial Highlights¹

- Transactional GMV sales for payment services totaled \$143.5 million, up 36% compared with \$105.6 million in the fourth quarter of 2021, and up 1% compared with \$142 million in Q3 2022
- Total revenue was \$24.9 million, up 141% compared with \$6.4 million in the fourth quarter of 2021
- Gross profit was \$16.2 million, or 65% of revenue, up 459% on a dollar basis compared with \$2.9 million, or 28% of revenue, in the fourth quarter of 2021.
- Operating income was \$11.1 million, inclusive of a \$0.6 million non-cash change in the fair value of foreign currencies, compared with an operating loss of \$(1.0) million, inclusive of a \$(83,000) non-cash change in the fair value of foreign currencies, in the fourth quarter of 2021
- Net income was \$9.4 million, inclusive of a \$(1.3) million non-cash change in fair value of derivative liabilities, compared with a net loss of \$(2.0) million, inclusive of a \$(0.5) million non-cash change in fair value of derivative liabilities in the fourth quarter of 2021
- Adjusted EBITDA² was \$12.3 million, or 50% of revenue, compared with \$(0.9) million, or (14)% of revenue, in the fourth quarter of 2021

¹ Revenue, gross profit, operating income, net income and adjusted EBITDA numbers are impacted by the new accounting treatment of the license agreement revenue. See reconciliation table below.

2 Adjusted EBITDA is a non-IFRS. See “Non-IFRS Measures” below.

Full Year 2022 Financial Highlights

- Transactional GMV sales for payment services totaled \$517 million, up 43% compared with \$362 million in 2021
- Total revenue was \$49.8 million, up 134% compared with \$21.3 million in 2021
- Gross profit was \$22.6 million, or 45% of revenue, up 302% on a dollar basis compared with \$5.6 million, or 26% of revenue, in 2021
- Operating income was \$5.2 million, inclusive of a \$2.8 million non-cash change in the fair value of foreign currencies, compared with operating loss of \$(129,000), inclusive of a \$(2.1) million non-cash change in the fair value of foreign currencies, in 2021
- Net income was \$8.0 million, inclusive of a \$4.0 million non-cash change in fair value of derivative liabilities, compared with a net loss of \$(10.6) million, inclusive of a \$(9.7) million non-cash change in fair value of derivative liabilities in 2021
- Adjusted EBITDA was \$10.4 million, or 21% of revenue, compared with \$(1.3) million, or (6)% of revenue, in 2021

Balance Sheet

As of December 31, 2022, the company had cash and cash equivalents of \$3.1 million compared to \$4.4 million as of December 31, 2021.

Financial Results

<i>in US Dollars</i>	Three months ended			12 months ended		
	Dec. 31 2022	Dec. 31, 2021	% Chg.	Dec. 31, 2022	Dec. 31, 2021	% Chg.
Revenue	\$24,851,511	\$6,433,496	286%	\$49,772,117	\$21,301,749	134%
Cost of goods sold	\$8,669,216	\$5,119,553	69%	\$27,206,420	\$15,687,627	73%
Gross profit	\$16,182,295	\$1,313,943	1,132%	\$22,565,697	\$5,614,122	302%
<i>Gross profit margin</i>	<i>65%</i>	<i>20%</i>		<i>45%</i>	<i>26%</i>	
Operating costs	\$5,033,409	\$2,344,259	115%	\$17,410,868	\$5,743,603	203%
Operating income (loss)	\$11,148,886	\$(1,030,316)	(1182)%	\$5,154,829	\$(129,481)	(4,081)%
Other expenses (income)	\$(1,366,928)	\$(948,135)	44%	\$3,312,909	\$(10,436,226)	(132)%
Income tax	(404,135)	-	NM	(404,135)	-	NM
Net income (loss)	\$9,377,823	\$(1,978,451)	(574)%	\$8,063,603	\$(10,565,707)	(176)%

NM - Not Meaningful

The following tables reconcile Adjusted EBITDA to net loss, as reported.

<i>in US Dollars</i>	Three months ended		
	Dec. 31, 2022	Dec. 31, 2021	Sept. 30, 2022
Income (loss), as reported	\$9,781,958	\$(1,978,451)	\$(1,224,320)
Add back / (deduct): foreign exchange gains, as reported	\$593,993	\$(83,274)	\$(866,885)
Add back: share-based compensation, as reported	\$539,942	\$290,740	\$517,937
Add back / (deduct) change in fair values of digital assets, as reported	-	\$(11,900)	-
Add back amortization and depreciation, as reported	\$(128,411)	\$(87,878)	\$51,289

Add back / (deduct): change in expected credit loss, as reported	\$(55,221)	\$(4,804)	\$33,575
Add back, one-time processor penalty	-	\$200,000	-
Add back, Loss on related-party loans, as reported	-	\$219,379	-
Add back, finance costs, as reported	\$23,178	\$21,634	\$19,827
Add back interest accretion, as reported	\$67,106	\$(1,047)	\$51,228
Add back / (deduct) change in fair value of derivative liability, as reported	\$1,298,578	\$519,301	\$1,018,756
Less gain on disposal of discontinued operations, as reported		\$(112,500)	
Add back loss on disposal of assets, as reported	-	-	\$61,769
Add back/ (deduct): transaction costs, as reported	\$181,430	\$118,072	\$46,459
Adjusted EBITDA	\$12,302,553	\$(910,728)	\$(290,365)

in US Dollars

	12 months ended	
	Dec. 31, 2022	Dec. 31, 2021
Income (loss), as reported	\$8,467,738	\$(10,565,707)
Add back / (deduct): foreign exchange gains, as reported	\$2,790,849	\$(2,076,501)
Add back: share-based compensation, as reported	\$2,229,402	\$763,792
Add back / (deduct) change in fair values of financial instruments, as reported	\$5,513	\$(12,632)
Add back amortization and depreciation, as reported	\$36,647	\$99,971
Add back / (deduct): change in expected credit loss, as reported	\$(20,697)	\$(309)
Add back, one-time processor penalty	-	\$200,000
Add back, Loss on related-party loans, as reported	-	\$219,379
Add back interest expense (exclusive of interest accretion), as reported	-	-
Add back, finance costs, as reported	\$87,367	\$108,586
Add back interest accretion, as reported	\$187,675	\$65,151
Add back / (deduct) change in fair value of derivative liability, as reported	\$(4,006,369)	\$9,736,678
Add back loss on disposal of assets, as reported	\$62,484	\$1,301
Add back/ (deduct): transaction costs, as reported	\$519,261	\$118,072
Adjusted EBITDA	\$10,359,870	\$(1,342,219)

Impact of Accounting Treatment on 2023 and 2023 Outlook

In 2023, the change in accounting treatment will result in reduced revenue, gross profit dollars, and adjusted EBITDA by approximately \$3.5 million relative to our initial expectations. There is no change to the timing of cash flows expected to be received in 2023. Conforming the previously provided 2023 guidance to this change in accounting treatment results in the following adjustments to guidance:

As of March 20, 2023	Prior Methodology	Current Accounting Methodology
Total Revenue	\$60.0 to \$63.0 million	\$56.5 to \$59.5 million
Gross Profit Dollars	\$15.0 to \$17.0 million	\$11.5 to \$13.5 million
Adjusted EBITDA	Positive	Slightly Negative

The Company is raising its guidance for the full year 2023 to include the expected performance of the recently acquired Hypur assets. The Company's guidance does not include additional acquisitions or other strategic transactions.

	As of March 20, 2023	Pro Forma including Hypur
Total Revenue	\$56.5 to \$59.5 million	\$58.5 to \$61.5 million

Gross Profit Dollars	\$11.5 to \$13.5 million	\$12.5 to \$14.5 million
Adjusted EBITDA	Slightly negative	Slightly negative

Conference Call Information

Date: April 26, 2023
 Time: 4:30 pm Eastern Time
 Toll-Free: 888-506-0062
 International: 973-528-0011
 Entry Code: 681160
 Live Webcast: <https://www.webcaster4.com/Webcast/Page/2708/48212>

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: 48212
 Replay Webcast: <https://www.webcaster4.com/Webcast/Page/2708/48212>

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 will be available on the company's website at www.posabit.com/investor-relations or on SEDAR at www.sedar.com.

Non-IFRS Measures

Adjusted EBITDA is a non-IFRS measure used by management that does 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 believes this non-IFRS measure is a useful metric to evaluate the Company's core operating performance and uses this measure 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 and other financial metrics; 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; our expected integration of the Hypur assets; 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 ability to integrate the Hypur assets; 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, 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, gross profit and adjusted EBITDA for the 12 months to be ended December 31, 2023 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, OTC: POSAF) is a FinTech, working exclusively within the cannabis industry. We provide a best-in-class Point-of-Sale solution and are the leading cashless payment provider for cannabis retailers. We work tirelessly to build better financial services and transaction methods for merchants. We bring cutting edge software and technology to the cannabis industry so that all merchants can have a safe and compliant set of services to solve the problems of a cash-only industry. For additional information, visit www.posabit.com.

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