

POSaBIT Reports Second Quarter 2024 Financial Results

*POSaBIT achieves adjusted EBITDA profitability and positive free cash flow
Q2 Adjusted Gross Profit of \$3M or 59% margin, representing 31% sequential quarterly growth
Q2 Adjusted Revenue Growth of 11% over Q1 2024*

TORONTO / SEATTLE August 27, 2024 – POSaBIT Systems Corporation (CSE: PBIT, OTC: POSAF) (the “Company” or “POSaBIT”), a leading provider of payments and point-of-sale infrastructure in the cannabis industry, today announced its financial results for the three months ended June 30, 2024.

“We are pleased to report adjusted EBITDA profitability and positive free cash flow in the second quarter, marked by significant achievements across all key metrics. During the second quarter, POSaBIT increased revenue and gross margins, while decreasing overall operating expenses. POSaBIT increased cash on hand by ~\$200K in the second quarter. Additionally, we launched two new products in the market with our POSaBIT Pay Apple and Android application, as well as our newly redesigned eCommerce Menu for our Point-of-Sale customers. Both of these have received positive momentum in the market, and we anticipate continued broad adoption in Q3 and Q4.” said Ryan Hamlin, co-founder and CEO of POSaBIT.

Hamlin continued, “As we look ahead to the next six months, our primary focus is on continued adjusted EBITDA profitability and growing our cash reserves while still achieving a steady rate of growth in our Point-of-Sale and Payments lines of business. Our commitment to our investors is to position POSaBIT for long-term, sustainable success, ensuring that we not only meet our immediate objectives but also lay a solid foundation for enduring profitability and free cash flow.”

Recent Operational Highlights

- Launched POSaBIT Pay and new Apple and Android phone app
- Successful eCommerce Menu beta – broad rollout in process in Q3 and Q4
- On track to process over \$1B in annual gross sales in Washington State through the POSaBIT Point-of-Sale system
- Substantially reduced hosting costs, partner revenue sharing and overall processing fees

Balance Sheet

As of June 30, 2024, the Company increased cash on hand and cash equivalents to ~\$1.1million compared to \$900 thousand as of March 31, 2024.

Financial Results

Three Months ended, year over year

<i>in US Dollars</i>	June 30, 2024	June 30, 2023, <i>re-presented</i>	% Chg.
Revenue	\$4,264,005	\$13,555,198	(69)%
Cost of goods sold	\$(2,073,398)	\$(10,755,001)	81%
Gross profit	\$2,190,607	\$2,800,197	(22)%
<i>Gross profit margin</i>	<i>51%</i>	<i>21%</i>	-
Operating costs	\$(2,829,634)	\$(6,035,283)	53%
Operating income (loss)	\$(639,027)	\$(3,235,086)	80%
Other (expenses) income	\$185,066	\$1,862,593	(90)%
Income Taxes	\$0	\$(192,880)	100%
Income (loss)	\$(453,961)	\$(1,565,373)	71%

The following table reconciles Adjusted Revenue to Revenue, Quarter over Quarter.

Three Months ended, quarter over quarter

<i>in US Dollars</i>	June 30, 2024	March 31, 2024	% Chg.
Revenue, as reported	\$4,264,005	\$3,777,105	13%
Add: Cash Receipts from Licensing contracts	\$775,000	\$1,162,500	(33)%
Add: Current Period Asset Receivable	\$387,500	\$0	100%
Deduct: Licensing Support Revenue	\$(386,250)	\$(386,250)	-
Adjusted Revenue	\$5,040,255	\$4,553,355	11%

The following table reconciles Adjusted Gross Profit to Gross Profit, Quarter over Quarter.

Three Months ended, quarter over quarter

<i>in US Dollars</i>	June 30, 2024	March 31, 2024	% Chg.
Gross Profit, as reported	\$2,190,607	\$1,489,804	47%
Add: Cash Receipts from Licensing Contracts	\$775,000	\$1,162,500	(33)%
Add: Current Period Asset Receivable	\$387,500	\$0	100%
Deduct: Licensing Support Revenue	\$(386,250)	\$(386,250)	-
Adjusted Gross Profit	\$2,966,857	\$2,266,054	31%
Adjusted Gross Profit margin*	59%	50%	-

*As a percentage of Adjusted Revenue

The following table reconciles Adjusted EBITDA to Loss, Quarter over Quarter.

Three Months ended, quarter over quarter

<i>in US Dollars</i>	June 30, 2024	March 31, 2024
Loss, as reported	\$(453,961)	\$(1,940,144)
Add/Deduct: Foreign Exchange, as reported	\$(405,351)	\$5,295
Add: Share-based Comp, as reported	\$325,874	\$431,133
Add: Amortization and Depreciation , as reported	\$38,975	\$39,161
Add/Deduct: Bad Debts (or Recoveries) and Change in Expected Credit Loss, as reported	\$(135,763)	\$20,399
Add: Finance Costs, as reported	\$117,000	\$120,783
Add: Interest Accretion, as reported	\$4,991	\$5,880
Add: Transaction Costs, as reported	\$62,876	\$110,255
Deduct: License Support Revenue and Interest Income, as reported	\$(620,420)	\$(639,326)
Add: Cash Receipts from Licensing agreement and Current Period Asset Receivable	\$1,162,500	\$1,162,500
Adjusted EBITDA	\$96,721	\$(684,064)

Run Rate Guidance

For the quarter ending June 30, 2024, POSaBIT generated Adjusted Revenue of ~\$5.0 million and Adjusted Gross Profit of ~\$3.0 million, implying ~\$20.0 million and ~\$12.0 million of annualized Adjusted Revenue and Adjusted Gross Profit, respectively. As we continue to execute on our business plan, we expect these run rates to increase and will be updated as part of our quarterly earnings release.

Conference Call Information

Date: August 27, 2024

Time: 4:30 PM Eastern Time

Toll Free: 888-506-0062

International: 973-528-0011

Participant Access Code: 865942

Webcast URL: <https://www.webcaster4.com/Webcast/Page/2708/51181>

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: 51181

Webcast Replay URL: <https://www.webcaster4.com/Webcast/Page/2708/51181>

Financial Reports

Full details of the financial and operating results are described in the Company's consolidated financial statements for the period ended June 30, 2024, 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.sedarplus.ca.

Non-IFRS Measures

Adjusted Revenue, Adjusted Gross Profit and Adjusted EBITDA are non-IFRS measures used by management that do not have any prescribed meaning by IFRS and may not be comparable to similar measures presented by other companies. The Company defines Adjusted Revenue as gross revenue, minus license support revenue, plus actual licensing cash received as part of POSaBIT's licensing deals. The Company defines Adjusted Gross Profit as Adjusted Revenue less company cost of goods sold. The Company defines Adjusted EBITDA as net income or loss generated for the period as reported, before interest, taxes, depreciation and amortization and further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains and/or losses, impairments. 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 Revenue, Adjusted Gross Profit and Adjusted EBITDA are not substitutes for gross revenue, gross profit or profit/loss, respectively.

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 Adjusted Revenue and Adjusted Gross Profit for the 12 months to be ended December 31, 2024, 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 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.

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 margin improvements and annualized Adjusted Revenue and Adjusted Gross Profit; 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, 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.

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.

Neither the Canadian Securities Exchange nor the Canadian Investment Regulatory Organization accepts responsibility for the adequacy or accuracy of this release.

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