Press Release
FOR IMMEDIATE RELEASE

mdf commerce reports second quarter of fiscal 2022 results

- ***Q2 FY22 total revenue of $25.1 million, growth of 20.8% compared to $20.8 million in Q2 FY21***
  - ***Core platforms continue to perform:***
    - ***Unified Commerce solutions revenue grew by $1.0 million or 10.7%***
    - ***eprocurement revenue grew by $3.2 million or 40.1%***
- ***Periscope acquisition during the second quarter is transformational for the Corporation***

Montreal, Canada, November 10, 2021 -- **mdf commerce inc.** (the "Corporation") (TSX:MDF), a SaaS leader in digital commerce technologies, reported Q2 FY2022 financial results for its second quarter ended on September 30, 2021. Financial references are expressed in Canadian dollars unless otherwise indicated.

"Q2 fiscal 2022 was a transformational quarter for mdf commerce," said Luc Filiatreault, CEO of mdf commerce. "As was planned for our Strategic Sourcing platform, the strategic acquisition of Periscope has expanded both our geographic footprint and technology offering, allowing us to service all types of government agencies with a full eprocurement offer and effectively positioning mdf commerce as the North American leader in public eprocurement. With just over 2 months since the acquisition, our integration efforts are on track. Our focus is on leveraging the innovative transaction fee solution which allows us to earn revenue on procurement transactions relating to everyday needs such as office and medical supplies, legal services, gas and electricity to more complex construction and infrastructure projects. This innovative model is highly scalable and has the potential to generate significant upside. While recognizing only one month of revenue from Periscope, the Q2 year-over-year revenue growth in our Strategic Sourcing platform, which we've rebranded as eprocurement, was 40%. Despite the marked growth over the last two years and the strong growth potential that this acquisition unlocks, the performance of our stock has unfortunately not followed suit. We see this as an opportunity to engage with our shareholders on the full potential of this strategic acquisition and mdf commerce as a whole."

Two years into its Transformation plan, mdf commerce remains focused on growing its two core platforms, eprocurement and Unified Commerce, that are presently capitalizing on the strong market trend of accelerated digitalization. As demonstrated with the transformative acquisition of Periscope, the path to growth for eprocurement is based on a combination of M&A and organic growth, whereas the path to growth for Unified Commerce relies on organic growth. Over the past two years, mdf commerce has focused investments on scalability, as well as eliminating friction points on our ability to accelerate growth. These investments include expanded sales and marketing capabilities, product innovation, cloud migration and optimization, ongoing improvements to security as well as overall employee compensation market adjustment to retain key talent. These efforts and investments have yielded a 47.8% ($7.6M to $11.3M) Q2 growth for eprocurement from Q2 FY20 to Q2 FY22 and a 71.1% ($5.9M to $10M) growth for Unified Commerce for the same period. When looking at areas of focus, US-based eprocurement activities have grown by 114.1% ($3.3M to $7.0M) for the period spanning Q2 FY20 to Q2FY22 and a 176.9% growth ($2.4M to $6.7M) for our ecommerce activities for the same period.

Second Quarter Fiscal 2022 Financial Results

The financial results include one month of Periscope which was acquired on August 31, 2021.

Total revenues for second quarter of fiscal 2022 reached $25.1 million, an increase of $4.3 million or 20.8% compared to $20.8 million for the second quarter of fiscal 2021. On a constant currency(1) basis, total revenue increased by $4.7 million or 23.2% compared to the second quarter of fiscal 2021. Total Q2 FY2022 revenue includes a negative fair value adjustment of $1.0 million on Periscope's deferred revenues at the closing date of the acquisition.

Recurring revenue (MRR)(2) represents $20.0 million or 76.8% of total revenues for Q2 FY2022 compared to $15.9 million or 76.4% of total revenues for Q2 FY2021.

Our two core platforms contributed to revenue growth for the second quarter as follows:

The eprocurement platform generated revenues of $11.3 million, an increase of $3.2 million or 40.1% compared to $8.0 million in Q2 FY2021. The US-based eprocurement network, which includes revenues from Periscope for one-month post-acquisition, contributed positively to revenue growth with an increase in total revenues of $3.2 million or 84.2%, compared to Q2 FY2021. The US-based solutions Bidnet and Periscope benefited from both additional buying agencies, and from higher transaction rates. Revenues for Periscope for the quarter were $2.4 million, net of a $1.0 million fair value adjustment on Periscope deferred revenues at the closing date of the acquisition. Recurring revenue (MRR)(2) for the eprocurement platform represented 93.1% of platform revenues for Q2 FY2022 compared to 93.0% for Q2 FY2021.

The Unified Commerce platform, which includes both ecommerce and Supply Chain Collaboration solutions, generated revenues of $10.0 million for Q2 FY2022, an increase of $1.0 million or 10.7% compared to revenues of $9.1 million for Q2 FY2021. A combination of organic growth and increased transaction volumes from existing clients contributed to an increase in revenues of $0.6 million for the Orckestra solution, $0.3 million for k-ecommerce solution and $0.1 million for the Supply Chain Collaboration solution. Recurring revenue (MRR)(2) for the Unified Commerce platform represented 57.4% of platform revenues for Q2 FY2022 compared to 58.4% for Q2 FY2021.

The emarketplaces platform generated revenues of $3.8 million for Q2 FY 2022, an increase of $0.1 million or 3.5% compared to revenues of $3.7 million for Q2 FY2021. The net increase is mainly due to Jobboom, contributing $0.2 million in revenue in the second quarter of fiscal 2022, primarily due to an active Canadian job market.

Gross margin for the Q2 FY2022 was $14.3 million or 56.9% compared to $13.8 million or 66.7% for Q2 FY2021. The decrease in the gross margin percentage is due to the increased cost of revenues mainly from increased headcount, higher salaries and increased professional fees to support customer implementations and deployments which have lower margins than right of use revenues, and higher hosting and licences costs directly related the Corporation's transition to a cloud-based strategy.

For Q2 FY2022 total operating expenses were $23.1 million, compared to $13.9 million in Q2 FY2021.

General and administrative expenses totalled $10.4 million in Q2 FY2022, $6.6 million higher compared to $3.8 million in Q2 FY2021. The increase in professional fees of $5.1 million includes $4.6 million acquisition-related costs for the acquisition of Periscope. Salary and related expenses increased by $0.8 million, share-based compensation expense was $0.2 million higher related to the Corporation's stock-option plan and licenses costs increased by $0.1 million.

Selling and marketing expenses totalled $6.5 million during Q2 FY2022, $1.8 million higher compared to $4.7 million in Q2 FY2021. The increase is mainly attributable to increased salary and related expenses of $0.8 million, to higher amortization expenses of $0.5 million mostly related to Periscope acquisition, to higher transaction-based fees of $0.2 million and to an increase of $0.1 million in promotional activities costs.

Technology expenses totalled $6.1 million during Q2 FY2022, $0.8 million higher compared to $5.4 million in Q2 FY2021. The increase is mainly attributable to an increase of $1.4 million in salary and related expenses and to higher professional services costs of $0.3 million. These increases are partly offset by higher capitalized internally developed e-business tax credits of $0.8 million and to a $0.2 million decrease in amortization expense.

The Corporation recorded an operating loss of $8.8 million during Q2 FY2022, compared to operating loss of $0.1 million in Q2 FY2021. Acquisition-related costs for the acquisition of Periscope and restructuring costs respectively totalled $4.6 million and $0.6 million. Operating expenses for the second quarter of the previous year included a federal wage subsidy in the context of COVID-19 of $1.4 million. During the second quarter of fiscal 2022 we continued investing in people and foundational upgrades as we aim to accelerate future growth, improve our scalability by simplifying and accelerating project implementation and the integration of new acquisitions, ultimately enabling us to capitalize on emerging market conditions.

Net loss was $ 6.3 million or $0.19 net loss per share basic and diluted in Q2 FY2022, compared to a net loss of $0.6 million or $0.04 net loss per share basic and diluted in Q2 FY2021.

Adjusted EBITDA(3) loss was $0.4 million for Q2 FY2022 compared to an Adjusted EBITDA(3) of $2.5 million reported for Q2 FY2021. Adjusted EBITDA(3) decreased compared to Q2 FY2021 due to foundational investments in operations, sales and marketing, R&D, and professional services to support the Corporation in implementing its strategic initiatives, transformation plan and large deployment contracts.

“The acquisition of Periscope has fundamentally altered our revenue trajectory,” remarked CFO Deborah Dumoulin. “Although total expenses were elevated this quarter by transaction expenses related to the acquisition, we are pleased with the performance of Periscope so far, and once we complete integration, we anticipate that government eprocurement will be a primary driver of our growth for the foreseeable future.”

Summary of consolidated results Q2 and YTD

	Three-month periods ended			Six-month periods ended	
	Sep.30 2021	**June 30 2021**	**Sep.30 2020**	**Sep.30 2021**	**Sep.30 2020**
In thousands of Canadian dollars, except per share amounts	$	$	$	$	$
Revenues	**25,080**	**22,573**	**20,752**	**47,653**	**41,286**
Operating loss	**(8,822)**	**(4,289)**	**(93)**	**(13,111)**	**(791)**
Net loss	**(6,308)**	**(4,285)**	**(643)**	**(10,593)**	**(1,880)**
Adjusted EBITDA(3)	**(402)**	**(1,511)**	**2,451**	**(1,913)**	**4,504**
Adjusted loss(4)	**(6,308)**	**(4,285)**	**(643)**	**(10,593)**	**(1,880)**
Loss per share (basic and diluted)	**(0.19)**	**(0.15)**	**(0.04)**	**(0.34)**	**(0.11)**
Adjusted loss per share(4) (basic and diluted)	**(0.19)**	**(0.15)**	**(0.04)**	**(0.34)**	**(0.11)**
Basic and diluted weighted average number of shares outstanding (in thousands)	**33,536**	**28,404**	**17,961**	**30,970**	**17,182**

Reconciliation of net loss and adjusted EBITDA

	Three-month periods ended			Six-month periods ended	
	Sep.30 2021	**June 30 2021**	**Sep.30 2020**	**Sep.30 2021**	**Sep.30 2020**
In thousands of Canadian dollars, except per share amounts	$	$	$	$	$
Net loss	**(6,308)**	(4,285)	(643)	**(10,593)**	(1,880)
Income tax recovery	**(1,371)**	(826)	(34)	**(2,197)**	(289)
Depreciation of property and equipment and amortization of intangible assets	**1,019**	900	1,019	**1,919**	1,943
Amortization of acquired intangible assets	**1,337**	882	910	2,219	1,914
Amortization of right-of-use assets	**506**	489	419	**995**	883
Amortization of deferred financing costs	**158**	57	10	**215**	20
Interest on lease liability	**173**	91	98	**264**	197
Interest on long-term debt	**135**	14	166	**149**	421
Other finance costs (income)	**131**			**131**	
Interest revenue	**(343)**	(167)	-	**(510)**	-
EBITDA	**(4,563)**	(2,845)	1,945	**(7,408)**	3,209
Foreign exchange loss (gain)	**(1,397)**	827	310	**(570)**	740
Stock-based compensation expense	**319**	200	80	**518**	187
Restructuring costs	**611**	228	116	**839**	311
Acquisition-related costs	**4,628**	79	-	**4,707**	57
Adjusted EBITDA[3]	**(402)**	(1,511)	2,451	**(1,913)**	4,504

Reconciliation of net loss and adjusted loss

	Three-month periods ended			Six-month periods ended	
	Sep.30 2021	**June 30 2021**	**Sep30 2020**	**Sep.30 2021**	**Sep.30 2020**
In thousands of Canadian dollars, except per share amounts	$	$	$	$	$
Net loss	**(6,308)**	**(4,285)**	**(643)**	**(10,593)**	**(1,880)**
Adjusted loss[4]	**(6,308)**	**(4,285)**	**(643)**	**(10,593)**	**(1,880)**
Loss per share (basic and diluted)	**(0.19)**	**(0.15)**	**(0.04)**	**(0.34)**	**(0.11)**
Adjusted loss per share[4] (basic and diluted)	**(0.19)**	**(0.15)**	**(0.04)**	**(0.34)**	**(0.11)**

Reconciliation of revenues on a constant currency basis and revenues

Second quarter ended September 30, 2021 versus Second quarter ended September 30, 2020

In thousands of Canadian dollars, except per share amounts	Three-month periods ended		$ Change			% Change	
	Sep.30 2021	**Sep.30 2020**	**As reported**	**Foreign exchange impact**	**In constant currency**	**As reported**	**In constant currency**
Revenues	**25,080**	**20,752**	**4,326**	**(394)**	**4,722**	**20.9%**	**23.2%**

Second quarter ended September 30, 2021 versus First quarter ended June 30, 2021

In thousands of Canadian dollars, except per share amounts	Three-month periods ended		$ Change			% Change	
	Sep.30 2021	**June 30 2021**	**As reported**	**Foreign exchange impact**	**In constant currency**	**As reported**	**In constant currency**
Revenues	**25,080**	**22,573**	**2,507**	**5**	**2,501**	**11.1%**	**11.1%**

In thousands of Canadian dollars, except per share amounts	Three-month periods ended		$ Change			% Change	
	Sep.30 2021	**Sep. 30 2020**	**As reported**	**Foreign exchange impact**	**In constant currency**	**As reported**	**In constant currency**
Revenues	**47,653**	**41,286**	**6,367**	**(847)**	**7,214**	**15.4%**	**17.8%**

[1] Certain revenue figures and changes from prior period are analyzed and presented on a constant currency basis and are obtained by translating revenues from the comparable period of the prior year denominated in foreign currencies at the foreign exchange rates of the current period. The Company believes that this Non-IFRS financial measure is useful to compare its performance that excludes certain elements prone to volatility. Refer to the “Non-IFRS Financial Measures and Key Performance Indicators” section.

[2] Recurring revenue, “MRR” is a key performance indicator and is composed of subscription and support revenues that are recurring in nature. Therefore, they exclude onetime fees and professional fees and other types of non-recurring revenues. Refer to the “Non-IFRS Financial Measures and Key Performance Indicators” section.

[3] Adjusted EBITDA and adjusted EBITDA margin are non-IFRS measure. In the fourth quarter of fiscal 2021, the definition of adjusted EBITDA was amended, and certain comparative figures have been restated to conform with the current presentation. Refer to the “Non-IFRS Financial Measures and Key Performance Indicators” section.

[4] Adjusted loss and Adjusted loss per share (basic and diluted) are non-IFRS financial measures. Refer to the “Non-IFRS Financial Measures and Key Performance Indicators” section.

Outlook

Management is increasingly confident that mdf commerce now has the products, solutions and talent to accelerate organic growth. Our foundational investments in scalability will enable future profitable organic growth.

Management is aligning resources to focus on expanding its sales pipeline in eprocurement and Unified Commerce. With Periscope's acquisition, this pipeline has accelerated and we foresee exciting conversion opportunities on the horizon.

mdf commerce is well positioned to benefit from increased spending at state and local levels in the United States as infrastructure budgets increase and as general procurement picks up. As mdf commerce integrates Periscope, the Corporation expects to have a dominant market position in multiple states, allowing us to capitalize on accelerated digitalization and expanding billion-dollar procurement budgets.

About mdf commerce inc.

mdf commerce inc. (TSX:MDF) enables the flow of commerce by providing a broad set of SaaS solutions that optimize and accelerate commercial interactions between buyers and sellers. Our platforms and services empower businesses around the world, allowing them to generate billions of dollars in transactions on an annual basis. Our eprocurement, Unified Commerce and emarketplace platforms are supported by a strong and dedicated team of approximately 800 employees based in Canada, the United States, Denmark, Ukraine and China. For more information, please visit us at mdfcommerce.com, follow us on LinkedIn or call at 1-877-677-9088.

Forward-Looking Statements

In this press release, "mdf commerce", the "Corporation" or the words "we", "our" and "us" refer, depending on the context, either to mdf commerce inc. or to mdf commerce inc. together with its subsidiaries and entities in which it has an economic interest. All dollar amounts refer to Canadian dollars, unless otherwise expressly stated.

This press release is dated November 10, 2021 and, unless specifically stated otherwise, all information disclosed herein is provided as at September 30, 2021, the end of the most recent quarter of the Corporation.

Certain statements in this press release and in the documents incorporated by reference herein constitute forward-looking statements. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause mdf commerce's, or the Corporation's industry's actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any of the Corporation's statements. Such factors may include, but are not limited to, risks and uncertainties that are discussed in greater detail in the "Risk Factors and Uncertainties" section of the Corporation's Annual Information Form as at March 31, 2021, as well as in the "Risk Factors and Uncertainties" section of the Management's Discussion and Analysis for the second quarter ended September 30 and elsewhere in the Corporation's filings with the Canadian securities regulators, as applicable. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "should", "could", "expects", "plans", "anticipates", "intends", "believes", "estimates", "predicts", "potential" or "continue" or the negatives of these terms or other comparable terminology. These statements are only predictions. Forward-looking statements are based on management's current estimates, expectations and assumptions, which management believes are reasonable as of the date hereof, and are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and are accordingly subject to changes after such date. Undue importance should not be placed on forward-looking statements, and the information contained in such forward-looking statements should not be relied upon as of any other date. Actual events or results may differ materially. We cannot guarantee future results, levels of activity, performance or achievement. We disclaim any intention, and assume no obligation, to update these forward-looking statements, except as required by applicable securities laws.

Additional information about mdf commerce, including the Corporation's interim condensed consolidated financial statements as at September 30, 2021 and 2020 and for the three-month periods then ended, Management's Discussion and Analysis for the second quarter ended September 30, 2021 and its latest Annual Information Form as at March 31, 2021 are available on the Corporation's website www.mdfcommerce.com and have been filed with SEDAR at www.sedar.com.

Non-IFRS Financial Measures and Key Performance Indicators

The Corporation's interim condensed consolidated financial statements for the three-month periods ended September 30, 2021 and September 30, 2020 have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, through the application of accounting principles that are compliant with International Financial Reporting Standards (IFRS). The interim condensed consolidated financial statements do not include all of the information required for complete financial statements under IFRS, including the notes.

The Corporation presents non-IFRS financial performance measures and key performance indicators to assess operating performance. The Corporation presents Adjusted profit (loss), Adjusted profit (loss) per share, net profit (loss) before interest, taxes, depreciation and amortization ("EBITDA"), Adjusted EBITDA, Adjusted EBITDA margin, and certain Revenues presented on a constant currency basis as a non-IFRS measures and Monthly Recurring Revenues as a key performance indicator. These non-IFRS measures and key performance indicators do not have standardized meanings under IFRS standards and are not likely to be comparable to similarly designated measures reported by other corporations. The reader is cautioned that these measures are being reported in order to complement, and not replace, the analysis of financial results in accordance with IFRS standards. Management uses both measures that comply with IFRS standards and non-IFRS measures, in planning, overseeing and assessing the Corporation's performance. The terms and definitions associated with non-IFRS measures as well as a reconciliation to the most comparable IFRS measures, and key performance indicators are presented in the section "Non-IFRS Financial Measures and Key Performance Indicators" in Management's Discussion and Analysis (MD&A) for the second quarter ended September 30, 2021.

In Q4 FY2021, the Corporation amended the definition of Adjusted EBITDA to adjust for acquisition related costs and restructuring costs. Comparative figures prior to March 31, 2021 have been restated to be consistent with the current presentation. Adjusted EBITDA is calculated as profit (loss) before interest, taxes, depreciation and amortization ("EBITDA"), adjusted for foreign exchange gain (loss), gain (loss) on the sale of a subsidiary, compensation under the stock option plan, acquisition related costs and restructuring costs. Refer to the "Non-IFRS Financial Measures and Key Performance Indicators" in Management's Discussion and Analysis for the second quarter ended September 30, 2021.

Conference call for second quarter of fiscal 2022 financial results

Date: Thursday, November 11, 2021
Time: 8:30 a.m. Eastern Standard Time
Dial-in: (833) 732-1201 (toll-free) or (720) 405-2161 (international)
Live webcast: register here
More details

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