

mdf commerce reports Second Quarter of Fiscal 2023 Financial Results

- Q2 FY2023 total revenue of \$33.2 million grew by 32.4% compared to \$25.1 million in Q2 FY2022
- Recurring Revenue⁽¹⁾ grew by 36.5% from \$19.4 million in Q2 FY2022 to \$26.5 million in Q2 FY2023
- Positive Adjusted EBITDA⁽²⁾ of \$1.4 million for Q2 FY2023 compared to an Adjusted EBITDA loss⁽²⁾ of \$0.4 million in Q2 FY2022
- Sale of Intertrade Systems Inc. on October 4, 2022 for total all-cash consideration of \$65.8 million⁽³⁾ (US\$48.5 million)
- Non-cash intangible asset impairment charge of \$85.0 million

Montreal, Canada, November 14, 2022 -- mdf commerce inc. (the "Corporation") (TSX:MDF), a SaaS leader in digital commerce technologies, reported Q2 FY2023 financial results for the three-month period ended September 30, 2022 (Q2 FY2023). Financial references are expressed in Canadian dollars unless otherwise indicated.

"This quarter marks a return to positive Adjusted EBITDA⁽²⁾ achieved through a combination of growth and operational efficiency efforts. Subsequent to quarter-end, we closed the sale of InterTrade Systems inc. (InterTrade) and significantly deleveraged our balance sheet by repaying long-term debt with the net cash proceeds from the sale of InterTrade received at closing of \$62.7 million⁽³⁾ (US\$46.2 million). The total purchase consideration was \$65.8 million⁽³⁾ (US\$48.5 million) or approximately 5X Revenue⁽⁴⁾, subject to certain post-closing adjustments", said Luc Filiatreault, CEO of mdf commerce. "We now have a stronger foundation and increased operational focus on profitable growth."

Second Quarter Fiscal 2023 Financial Results

Total revenues for Q2 FY2023 reached \$33.2 million, an increase of \$8.1 million or 32.4% compared to \$25.1 million reported in Q2 FY2022. On a Constant Currency⁽⁵⁾ basis, total revenue increased by \$8.0 million or 32.0% compared to Q2 FY2022.

Total revenues for Q2 FY2023 were impacted by a fair value adjustment on Periscope Intermediate Corporation ("Periscope") deferred revenues at the closing date of the acquisition on August 31, 2021, which resulted in a reduction in revenues of \$0.3 million as compared to \$1.0 million for Q2 FY2022.

Recurring Revenue⁽¹⁾ represents \$26.5 million or 79.0%⁽¹⁾ of total revenues for Q2 FY2023 and grew by \$7.1 million compared to \$19.4 million or 74.3%⁽¹⁾ of total revenues for Q2 FY2022.

Our two core platforms, eprocurement and Unified Commerce contributed to revenues of the second quarter as follows:

- The eprocurement platform generated revenues of \$19.3 million, an increase of \$8.0 million or 71.2% compared to \$11.3 million in Q2 FY2022. Due to Periscope's US focus, the Corporation's US-based eprocurement revenue grew by 106.6% or \$7.4 million to \$14.4 million in Q2 FY2023, compared to \$7.0 million reported in the same quarter of prior year.

Monthly Recurring Revenue⁽¹⁾ for the eprocurement platform represented \$16.9 million or 86.3% of platform revenues for Q2 FY2023, compared to \$10.8 million or 87.8% for Q2 FY2022.

- The Unified Commerce platform, which includes both ecommerce and Supply Chain Collaboration solutions, generated revenues of \$9.2 million for Q2 FY2023, a decrease of \$0.8 million or 7.9% compared to revenues of \$10.0 million for Q2 FY2022, mainly explained by lower transactional volumes and customer deployments in Q2 FY2023.

Monthly Recurring Revenue⁽¹⁾ for the Unified Commerce platform represents \$5.9 million or 63.5% of platform revenues for Q2 FY2023 compared to \$5.8 million or 57.4% for Q2 FY2022.

The emarketplaces platform generated revenues of \$4.7 million for Q2 FY2023, an increase of \$0.9 million or 24.1% compared to revenues of \$3.8 million for Q2 FY2022. The revenue growth in emarketplaces was driven primarily by The Broker Forum, which is an electronics parts marketplace, where volumes increased due to global supply chain shortages.

Monthly Recurring Revenue⁽¹⁾ for the emarketplaces platform represents \$3.7 million or 78.8% of platform revenues for Q2 FY2023 compared to \$2.8 million or 74.9% for Q2 FY2022.

Gross margin for Q2 FY2023 was \$19.4 million or 58.3% compared to \$14.3 million or 56.9% for Q2 FY2022. The increase in the gross margin percentage is mainly due to lower professional services expenses.

For Q2 FY2023, total operating expenses were \$23.3 million, an increase of 1.0% compared to \$23.1 million in Q2 FY2022. General and administrative expenses totaled \$6.5 million in Q2 FY2023, selling and marketing expenses were \$8.4 million and technology expenses were \$8.5 million, compared to \$10.4 million, \$6.5 million and \$6.1 million respectively for Q2 FY2022. Except for the acquisition-related costs of \$4.6 million for the acquisition of Periscope in Q2 FY2022, these changes are influenced primarily by foundational investments in operations, sales and marketing, R&D, and professional services to support the Corporation in implementing its strategic initiatives, transformation plan and to support large deployments of client contracts, offset by realized operating efficiencies and cost containment.

The Corporation recorded an operating loss of \$3.9 million during Q2 FY2023, compared to operating loss of \$8.8 million in Q2 FY2022.

Net loss was \$89.8 million for Q2 FY2023, primarily driven by an impairment loss related to goodwill of Periscope of \$85.0 million, compared to \$6.3 million for Q2 FY2022. Adjusted net loss⁽⁶⁾ was \$4.8 million for Q2 FY2023, compared to \$6.3 million for Q2 FY2022.

During Q2 FY2023, the Corporation recorded an impairment loss of \$85.0 million on Periscope goodwill cash-generating unit resulting from an impairment test performed in accordance with International Financial Reporting Standards. Factors that contributed to the impairment loss include the increases of the interest rate by the U.S. Federal Reserve of 125 bps and 150 bps in Q1 FY2023 and Q2 FY2023 respectively and revised financial forecasts on the expected timing of achieving revenue growth objectives of Periscope. This impairment loss is adjusted in the calculation of the Adjusted EBITDA⁽³⁾ and Adjusted Net Loss⁽³⁾. We highlight that a goodwill

impairment loss is a non-cash item and as such, does not affect the Corporation's cash position, cash flow from operations, financial debt covenants or have an impact on future operations.

For Q2 FY2023, on a basic and diluted basis, net loss per share was \$2.04 primary driven by non-cash impairment charge of \$85.0 million or \$1.93 per share and Adjusted net loss per share⁽⁶⁾ was \$0.11, compared to a net loss per share and Adjusted net loss per share⁽⁶⁾ of \$0.19 in Q2 FY2022.

Adjusted EBITDA⁽²⁾ was \$1.4 million for Q2 FY2023 compared to Adjusted EBITDA⁽²⁾ loss of \$0.4 million reported for Q2 FY2022. The increase of Adjusted EBITDA⁽²⁾ of \$1.8 million in Q2 FY2023 is mainly explained by the increase of gross margin of \$5.1 million, due to higher revenues and growth in gross margin percentage, partly offset by a slight increase of operating expenses, mostly explained by the integration of Periscope.

The Periscope acquisition accounting adjustment to the fair value of deferred revenues at the acquisition date, which resulted in a reduction of revenue of \$0.3 million in Q2 FY2023 compared to \$1.0 million for Q2 FY2022, also had an unfavorable impact on gross margin, operating loss, net loss, Adjusted EBITDA⁽²⁾ and net loss per share (basic and diluted).

Sale of InterTrade and repayment of a part of long-term debt

On October 4, 2022, the Corporation entered into a Share Purchase Agreement with SPS Commerce, Inc. ("SPS") and concurrently closed the transaction for the sale of all the issued and outstanding shares of InterTrade, for a total cash consideration of \$65.8 million (US\$48.5 million), subject to certain post-closing adjustments. Pursuant to this agreement, the Corporation received cash consideration of \$62.7 million (US\$46.2 million) at the closing date, which is the agreed upon purchase price, and amounts subject to customary closing adjustments including net working capital and amounts in escrow for customary indemnification purposes and transition services escrow. At closing, the Corporation repaid the Term Facility of \$21.7 million (US\$16.0 million) plus accrued interest and make payments of \$6.8 million (US\$5.0 million) on the Revolving Facility drawn in US dollars and \$32.0 million of the Revolving Facility drawn in Canadian dollars. As the Term Facility was available by way of a single use borrowing, it is no longer available to the Corporation.

Summary of consolidated results

Financial Highlights	Q2	Q1	Q2	YTD Q2	YTD Q2
<i>In thousands of Canadian dollars, unless otherwise noted</i>	FY2023	FY2023	FY2022	FY2023	FY2022
Revenues	33,216	32,196	25,080	65,412	47,653
Recurring Revenue ⁽¹⁾	26,481	26,023	19,394	52,504	35,753
Gross margin	19,365	18,496	14,267	37,861	27,508
Operating loss	(3,946)	6,975	(8,822)	(10,921)	(13,111)
Net loss	(89,769)	(6,323)	(6,308)	(96,092)	(10,593)
Adjusted Net Loss ⁽⁵⁾	(4,769)	(6,323)	(6,308)	(11,092)	(10,593)
Adjusted EBITDA ⁽²⁾ (loss)	1,355	(1,085)	(402)	270	(1,913)
Net loss per share (basic and diluted) (\$) ⁽⁵⁾	(2.04)	(0.14)	(0.19)	(2.19)	(0.34)
Adjusted Net Loss per share (basic and diluted) (\$) ⁽⁵⁾	(0.11)	(0.14)	(0.19)	(0.25)	(0.34)
Basic and diluted weighted average number of shares outstanding (in thousands)	43,971	43,971	33,536	43,971	30,970

Reconciliation of net loss, EBITDA (loss) and Adjusted EBITDA (loss)

<i>In thousands of Canadian dollars, unless otherwise noted</i>	Q2 FY2023	Q1 FY2023	Q2 FY2022	YTD Q2 FY2023	YTD Q2 FY2022
Net loss	(89,769)	(6,323)	(6,308)	(96,092)	(10,593)
Income tax (recovery) expense	293	(669)	(1,371)	(376)	(2,197)
Depreciation of property and equipment and amortization of intangible assets	1,119	967	1,019	2,086	1,919
Amortization of acquired intangible assets	3,025	2,966	1,337	5,991	2,219
Amortization of right of use assets	591	559	506	1,150	995
Finance expenses	1,060	623	254	1,683	249
EBITDA (loss)	(83,681)	(1,877)	(4,563)	(85,558)	(7,408)
Impairment loss on asset	85,000	-	-	85,000	-
Foreign exchange loss (gain)	(1,780)	(607)	(1,397)	(2,387)	(570)
Share-based compensation	202	221	319	423	518
Restructuring costs	809	271	611	1,080	839
Acquisition-related costs	805	907	4,628	1,712	4,707
Adjusted EBITDA (loss)	1,355	(1,085)	(402)	270	(1,913)

Reconciliation of net loss, Adjusted Net Loss, net loss per share and Adjusted Net Loss per share

<i>In thousands of Canadian dollars, unless otherwise noted</i>	Q2 FY2023	Q1 FY2023	Q2 FY2022	YTD Q2 FY2023	YTD Q2 FY2022
Net loss	(89,769)	(6,323)	(6,308)	(96,092)	(10,593)
Impairment loss on asset	85,000	-	-	85,000	-
Adjusted Net Loss	(4,769)	(6,323)	(6,308)	(11,092)	(10,593)
Weighted average number of shares outstanding: Basic and diluted (in thousands)	43,971	43,971	33,536	43,971	30,970
Net loss per share – basic and diluted	(2.04)	(0.14)	(0.19)	(2.19)	(0.34)
Adjusted Net Loss per share – basic and diluted	(0.11)	(0.14)	(0.19)	(0.25)	(0.34)

Reconciliation of revenues on a Constant Currency basis

<i>In thousands of Canadian dollars</i>	Q2 FY2023	Q2 FY2022	Var. \$	Var. %	Q2 FY2023	Q1 FY2022	Var. \$	Var. %	YTD Q2 FY2023	YTD Q2 FY2022	Var. \$	Var. %
Revenues	33,216	25,080	8,137	32.4	33,216	32,196	1,020	3.2	65,412	47,652	17,759	37.3
Constant Currency impact	-	90	(90)		-	381	(381)		-	(69)	69	
Revenues in Constant Currency	33,216	25,170	8,047	32.0	33,216	32,577	639	2.0	65,412	47,583	17,828	37.5

(1) Recurring Revenue and Monthly Recurring Revenue (“MRR”) are key performance indicators. Refer to the “11 - Non-IFRS Financial Measures and Key Performance Indicators” section of the Management’s Discussion and Analysis (MD&A) for the second quarter ended September 30, 2022.

(2) EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are Non-IFRS financial measures. Refer to the “11 - Non-IFRS Financial Measures and Key Performance Indicators” section of the MD&A for the second quarter ended September 30, 2022.

(3) Translated at USD/CAD of 1.3574

(4) Revenue multiple calculation is based on InterTrade revenue for the year ended March 31, 2022.

(5) 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 Corporation believes that this Non-IFRS financial measure is useful to compare its performance that excludes certain elements prone to volatility. Refer to the “11 - Non-IFRS Financial Measures and Key Performance Indicators” section of the MD&A for the second quarter ended September 30, 2022.

(6) Adjusted Net Loss and Adjusted Net Loss per share (basic and diluted) are Non-IFRS financial measures. Refer to the “11 - Non-IFRS Financial Measures and Key Performance Indicators” section of the MD&A for the second quarter ended September 30, 2022.

Board Update

mdf commerce announces the resignation of Zoya Shchupak and Christian Dumont effective November 11, 2022. All members of the Board of Directors and the management team at mdf commerce wish to thank Ms. Shchupak and Mr. Dumont for their unwavering support and contribution especially in the context of profound transformation of the Company.

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, ecommerce and marketplaces platforms are supported by a strong and dedicated team of approximately 700 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 14, 2022, and unless specifically stated otherwise, all information disclosed herein is provided as at September 30, 2022 and for the second quarter of fiscal 2023.

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, 2022, as well as in the “10 - Risk Factors and Uncertainties” section of the MD&A for the second quarter ended September 30, 2022 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, 2022 and 2021 and for the three-month periods then ended, MD&A for the second quarter ended September 30, 2022 and its latest Annual Information Form as at March 31, 2022 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, 2022 and 2021 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 measures and key performance indicators to assess operating performance. The Corporation presents Adjusted net profit (loss), Adjusted net profit (loss) per share, 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 financial measures and Recurring Revenue and Monthly Recurring Revenues as key performance indicators.

These Non-IFRS financial measures and key performance indicators do not have standardized meanings under IFRS and may not be comparable to similar measures presented 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. Management uses both measures that comply with IFRS and Non-IFRS financial measures, in planning, overseeing and assessing the Corporation's performance. Certain additional disclosures including the definitions associated with Non-IFRS financial measures as well as a reconciliation to the most comparable IFRS measures, and key performance indicators have been incorporated by reference and can be found in MD&A for the second quarter ended September 30, 2022, as presented in the section "11 - Non-IFRS Financial Measures and Key Performance Indicators". The MD&A for the second quarter ended September 30, 2022, is available on SEDAR at www.sedar.com and on the Corporation's website mdfcommerce.com under the Investors section.

Conference call for Second quarter fiscal 2023 financial results

Date: Monday, November 14, 2022

Time: 8:30 a.m. Eastern Time

To join the phone call: 1-833-630-1956

Live webcast: [Click here to register](#)

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