

mdf commerce reports Second Quarter of Fiscal 2024 Financial Results

- **Q2 FY2024 revenues of \$30.7 million compared to \$33.2 million in Q2 FY2023, a decrease of \$2.5 million or 7.4%**
 - **Q2 year-over-year revenues increase of \$1.0 million or 3.2% when excluding InterTrade⁵ revenues from Q2 FY2023**
- **Adjusted EBITDA¹ of \$4.0 million for Q2 FY2024 compared to \$1.4 million in Q2 FY2023, an increase of \$2.6 million**
- **Net loss and Adjusted net loss² of \$0.8 million in Q2 FY2024 compared to \$89.8 million and \$4.8 million respectively in Q2 FY2023.**
- **The Corporation announces the closure of Réseau Contact and Power Source Online, two emarketplaces businesses**

Montreal, Canada, November 7, 2023 – mdf commerce inc. (the “Corporation”) (TSX:MDF), a SaaS leader in digital commerce technologies, reported second quarter financial results for the three-month period ended September 30, 2023 (“Q2 FY2024”). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

“We are particularly enthusiastic about the pipeline conversion this quarter, adding the State of Hawaii and numerous mid-market customers with multi-year contracts for our eprocurement solutions”, said Luc Filiatreault, President and Chief Executive Officer of mdf commerce. “Our deep network of government agency customers and our full-suite of end-to-end eprocurement solution offerings including Source, Contact, Procure, Connect and Shop which are tailored for the public sector, provide a strong competitive advantage. We expect that government agencies will continue to focus on their digital transformation over the next few years, and with a large total addressable market, we believe that we are well-positioned for strong growth for our eprocurement platform solutions.”

We are pleased to welcome new clients to our eprocurement community including the State of Hawaii, the Texas Comptroller of Public Accounts and the counties of Rockland, Chemung, Orange and Ulster in New York State and multiple other cities and public agencies, joining over 6,500 public sector buying organizations in choosing mdf commerce eprocurement solutions.

“Our strategic and operational focus on accelerating organic growth, increasing operational efficiency and profitability is showing traction in our Q2 FY2024 results. We reported a fifth consecutive quarter of positive Adjusted EBITDA¹ and significantly reduced our net loss compared to Q2 FY2023 and Q1 FY2024” said Deborah Dumoulin, Chief Financial Officer of mdf commerce. “The positive impact of profitability improvements on cash flows and our confidence in the Corporation’s stable financial position, led the Corporation to reduce the borrowing commitment available under our Revolving Facility from \$50 million to \$30 million on September 29, 2023.”

Second Quarter Fiscal 2024 Financial Results

Revenues for Q2 FY2024 were \$30.7 million compared to \$33.2 million in Q2 FY2023, a decrease of \$2.5 million or 7.4%. On a Constant Currency³ basis, revenues decreased by \$3.0 million or 8.8% compared to \$33.7 million in Q2 FY2023.

Q2 year-over-year revenue grew by \$1.0 million or 3.2% when excluding InterTrade⁵, a subsidiary that was sold on October 4, 2022 and that had revenue of \$3.4 million in Q2 FY2023.

Recurring Revenue⁴ was \$24.4 million or 79.2% of revenues in Q2 FY2024 compared to \$26.5 million or 79.0% in Q2 FY2023. Recurring Revenue⁴ increased by \$1.1 million compared to Q2 FY2023 when excluding the decrease in Recurring Revenue⁴ from the sale of InterTrade⁵ of \$3.2 million. InterTrade⁵ had Recurring Revenue⁴ as a percentage of revenue in excess of 90%.

Net loss and Adjusted net loss² were \$0.8 million for Q2 FY2024, compared to a net loss of \$89.8 million and an Adjusted net loss² of \$4.8 million in Q2 FY2023. Q2 FY2023 included an impairment loss on goodwill of \$85.0 million related to Periscope.

Adjusted EBITDA¹ was \$4.0 million in Q2 FY2024, a significant improvement of \$2.6 million from \$1.4 million in Q2 FY2023 and marking the fifth sequential quarter with positive Adjusted EBITDA¹.

Revenue

- The eprocurement platform revenues were \$20.2 million for Q2 FY2024 compared to \$19.3 million in Q2 FY2023, an increase of \$0.9 million or 4.8%. The Corporation's US-based eprocurement revenue was \$15.1 million for Q2 FY2024 representing 74.8% of total eprocurement revenue, an increase of \$0.7 million compared to \$14.4 million and 74.7% for Q2 FY2023. In Q2 FY2023, revenues were impacted by a \$0.3 million fair value adjustment on Periscope deferred revenues at the closing date of the acquisition on August 31, 2021.

Recurring Revenue⁴ as a percentage of total revenue for the eprocurement platform represented 88.4% for Q2 FY2024 compared to 86.3% for Q2 FY2023.

- The **ecommerce** platform revenues were \$5.8 million for Q2 FY2024 compared to \$9.2 million for Q2 FY2023, a decrease of \$3.4 million or 37.2%. The sale of InterTrade⁵ in Q2 FY2023 represents \$3.4 million of the decrease which was offset by \$0.3 million in other revenue in Q2 FY2024 from post-closing transition services. Right of use revenue increased by \$0.2 million compared to Q2 FY2023 while professional services revenues decreased by \$0.6 million.

Recurring Revenue⁴ for the ecommerce platform was \$2.6 million in Q2 FY2024 and represented 45.4% of platform revenues compared to \$5.9 million or 63.5% in Q2 FY2023 which included both ecommerce and InterTrade. The sale of InterTrade⁵ represents a decrease of \$3.2 million in Recurring Revenue⁴ as compared to Q2 FY2023. InterTrade⁵ had Recurring Revenue⁴ as a percentage of revenue in excess of 90%.

- The **emarketplaces** platform revenues were stable at \$4.7 million in Q2 FY2024 and Q2 FY2023. Recurring Revenue⁴ as a percentage of total revenue for the emarketplaces platform represented \$3.9 million or 81.4% for Q2 FY2024 compared to \$3.7 million or 78.8% for Q2 FY2023.

Gross margin for Q2 FY2024 was \$18.5 million or 60.0% compared to \$19.4 million or 58.3% for Q2 FY2023. The gross margin percentage increased by 1.7% compared to Q2 of prior year. The \$0.9 million decrease of gross margin for Q2 FY2024 compared to Q2 FY2023 is mainly due to lower revenues of \$2.5 million, which grew by \$1.0 million excluding the revenue reduction due to the sale of InterTrade⁵ of \$3.4 million. Cost of revenues improved compared to Q2 FY2023, due to lower salaries expenses of \$1.1 million from workforce reduction initiatives implemented across the Corporation in FY2023 and Q1 FY2024 and due to the sale of InterTrade, and from lower professional services expenses of \$0.5 million.

Operating expenses in Q2 FY2024 were \$20.5 million, a significant decrease of \$2.8 million or 12.1% compared to \$23.3 million in Q2 FY2023. General and administrative expenses totalled \$6.0 million in Q2 FY2024, selling and marketing expenses were \$7.2 million and technology expenses were \$7.3 million, compared to \$6.5 million, \$8.4 million, and \$8.5 million respectively for Q2 FY2023. The reduction in operating expenses is mainly from \$3.0 million of salary savings from workforce reductions and from the sale of InterTrade. This was partially offset by lower e-business tax credits and lower capitalized internally development software which together were \$0.9 million lower in Q2 FY2024 due in part to the sale of InterTrade. Restructuring costs decreased by \$0.5 million from Q2 FY2023.

The Corporation significantly reduced its operating loss by \$1.9 million at \$2.0 million for Q2 FY2024 compared to \$3.9 million in Q2 FY2023. This is mainly due to the decrease in operating expenses of \$2.8 million, partially offset by the \$0.9 million decrease in gross margin, as explained previously.

Net loss was \$0.8 million, or \$0.02 net loss per share (basic and diluted) for Q2 FY2024, compared to a net loss of \$89.8 million, which included a \$85.0 million non-cash goodwill impairment loss, or \$2.04 net loss per share (basic and diluted) for Q2 FY2023.

Adjusted net loss² was equal to Net loss for Q2 FY2024 and was \$4.8 million or \$0.11 (basic and diluted) in Q2 FY2023. As a result of the cost saving initiatives over the past few quarters to improve profitability, there was a significant improvement of \$4.0 million in Adjusted net loss² and an improvement of Adjusted net loss² per share (basic and diluted) of \$0.09 per share in Q2 FY2024 compared Q2 FY2023.

Adjusted EBITDA¹ was \$4.0 million for Q2 FY2024, a significant improvement of \$2.6 million compared to \$1.4 million for Q2 FY2023. This marks the fifth sequential quarter of positive Adjusted EBITDA¹. The significant improvement in Adjusted EBITDA¹ is mainly due to the decrease in operating expenses, following workforce reductions and other cost savings initiatives, partially offset by a \$2.5 million reduction in revenues, as explained previously, revenue grew by \$1.0 million excluding the revenue reduction due to the sale of InterTrade⁵ of \$3.4 million.

The Periscope acquisition accounting adjustment to the fair value of deferred revenues at the acquisition date resulted in a reduction of revenue of \$0.3 million in Q2 FY2023. The fair value adjustment, that was recorded as a reduction of revenues until Q4 FY2023, had an unfavorable impact on gross margins, operating loss, net loss, Adjusted EBITDA¹ (loss), net loss per share (basic and diluted) and Adjusted net loss² per share (basic and diluted).

Our Q2 FY2024 financial results show the positive impacts of our focus on operational efficiency, profitability and cash flows, with significant Q2 year-over-year improvements in net loss, Adjusted net loss², and Adjusted EBITDA¹.

Credit Agreement

On September 29, 2023, a fourth amendment to the Credit Agreement was executed, to extend the maturity date of the Revolving Facility from August 31, 2024 to October 1, 2025 and to reduce the Revolving Facility total commitment from \$50 million to \$30 million, at the Corporation's request, while interest rates and other terms remain substantially unchanged. The Corporation's decision to reduce the borrowing commitment available under the Revolving Facility by \$20 million is attributable to the improvement in the Corporation's liquidity position. Reducing the stand-by fees on the unused portion of the Revolving Facility is aligned with our focus on profitability and cost saving measures.

Closure of two emarketplaces businesses

The Corporation announces that it will discontinue the operations of Réseau Contact and Power Source Online, two businesses in the emarketplaces platform, at the end of November 2023. These platforms were not underperforming businesses however investments would have been necessary to ensure that these platforms were compliant with new privacy legislation in Canada in regard to the protection of personal information (e.g. Québec's Law 25). The decision is well-aligned with our strategy to focus on our core platforms.

Summary of consolidated results

Financial Highlights					
<i>In thousands of Canadian dollars, except number of shares and per share data</i>					
	Q2	Q1	Q2	YTD Q2	YTD Q2
	FY2024	FY2024	FY2023	FY2024	FY2023
Revenues	30,749	31,004	33,216	61,753	65,412
Recurring Revenue ⁴	24,360	24,557	26,481	48,917	52,504
Gross margin	18,457	17,713	19,365	36,170	37,861
Operating loss	(2,031)	(3,054)	(3,946)	(5,085)	(10,921)
Net loss	(784)	(5,115)	(89,769)	(5,899)	(96,092)
Adjusted net loss ²	(784)	(5,115)	(4,769)	(5,899)	(11,092)
Adjusted EBITDA ¹	3,998	2,640	1,355	6,638	270
Net loss per share (basic and diluted)	(0.02)	(0.12)	(2.04)	(0.13)	(2.19)
Adjusted net loss ² per share (basic and diluted)	(0.02)	(0.12)	(0.11)	(0.13)	(0.25)
Weighted average number of shares outstanding					
Basic and diluted (in thousands)	43,971	43,971	43,971	43,971	43,971

Reconciliation of net loss, EBITDA¹ (loss) and Adjusted EBITDA¹

	Q2	Q1	Q2	YTD Q2	YTD Q2
<i>In thousands of Canadian dollars</i>	FY2024	FY2024	FY2023	FY2024	FY2023
Net loss	(784)	(5,115)	(89,769)	(5,899)	(96,092)
Income tax expense (recovery)	(202)	(284)	293	(486)	(376)
Depreciation of property and equipment and amortization of intangible assets	802	847	1,119	1,649	2,086
Amortization of acquired intangible assets	3,095	3,098	3,025	6,193	5,991
Depreciation of right-of-use assets	706	813	591	1,519	1,150
Finance expenses	300	256	1,060	556	1,683
EBITDA¹ (loss)	3,917	(385)	(83,681)	3,532	(85,558)
Goodwill impairment loss	-	-	85,000	-	85,000
Foreign exchange loss (gain)	(1,345)	1,428	(1,780)	83	(2,387)
Share-based compensation	181	141	202	322	423
Restructuring costs	422	1,421	809	1,843	1,080
Transaction-related costs	823	35	805	858	1,712
Adjusted EBITDA¹	3,998	2,640	1,355	6,638	270

Reconciliation of net loss and Adjusted net loss²

<i>In thousands of Canadian dollars, except number of shares and per share data</i>	Q2 FY2024	Q1 FY2024	Q2 FY2023	YTD Q2 FY2024	YTD Q2 FY2023
Net loss	(784)	(5,115)	(89,769)	(5,899)	(96,092)
Goodwill impairment loss	-	-	85,000	-	85,000
Adjusted net loss²	(784)	(5,115)	(4,769)	(5,899)	(11,092)
Weighted average number of shares outstanding					
Basic and diluted (in thousands)	43,971	43,971	43,971	43,971	43,971
Net loss per share – basic and diluted	(0.02)	(0.12)	(2.04)	(0.13)	(2.19)
Adjusted net loss² per share – basic and diluted	(0.02)	(0.12)	(0.11)	(0.13)	(0.25)

Reconciliation of revenues on a Constant Currency basis³

<i>In thousands of Canadian dollars, unless otherwise noted</i>	Q2 FY2024	Q2 FY2023	Var. \$	Var. %	Q2 FY2024	Q1 FY2024	Var. \$	Var. %	YTD Q2 FY2024	YTD Q2 FY2023	Var. \$	Var. %
Revenues	30,749	33,216	(2,467)	(7.4)	30,749	31,004	(255)	(0.8)	61,753	65,412	(3,659)	(5.6)
Constant Currency impact	-	497	(497)		-	(15)	15		-	1,665	(1,665)	
Revenues in Constant Currency³	30,749	33,713	(2,964)	(8.8)	30,749	30,989	(240)	(0.8)	61,753	67,077	(5,324)	(7.9)

¹ EBITDA, Adjusted EBITDA (loss) and Adjusted EBITDA margin are non-IFRS financial measures. Refer to section 10 “Non-IFRS Financial Measures and Key Performance Indicators” of the MD&A for the second quarter ended September 30, 2023.

² Adjusted net earnings (loss) and Adjusted net earnings (loss) per share (basic and diluted) are non-IFRS financial measures. Refer to section 10 “Non-IFRS Financial Measures and Key Performance Indicators” of the MD&A for the second quarter ended September 30, 2023.

³ 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. Refer to section 10 “Non-IFRS Financial Measures and Key Performance Indicators” of the MD&A for the second quarter ended September 30, 2023.

⁴ Recurring Revenue and Monthly Recurring Revenue (“MRR”) are key performance indicators. Refer to section 10 “Non-IFRS Financial Measures and Key Performance Indicators” of the MD&A for the second quarter ended September 30, 2023.

⁵ InterTrade Systems Inc. (“InterTrade”), a wholly-owned subsidiary of the Corporation, our Supply Chain Collaboration solution was sold on October 4, 2022. For comparative purposes, the Corporation has provided information on the disposed entity prior to the sale, by excluding Q2 FY2023 and YTD Q2 FY2023 revenue for InterTrade which was \$3.4 million and \$6.8 million respectively, and Recurring Revenue⁴ of \$3.2 million and \$6.4 million respectively.

About mdf commerce inc.

mdf commerce inc. (TSX:MDF) enables the flow of commerce by providing a broad set of software as a service (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 emarketplaces solutions are supported by a strong and dedicated team of approximately 650 employees based in Canada, the United States, 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.

This press release is dated November 7, 2023, and unless specifically stated otherwise, all information disclosed herein is provided as at September 30, 2023 and for the second quarter of fiscal 2024.

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, 2023, as well as in the “Risk Factors and Uncertainties” section of the MD&A for the second quarter ended September 30, 2023 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, 2023 and 2022, the MD&A for the second quarter ended September 30, 2023 and its latest Annual Information Form as at March 31, 2023 are available on the Corporation’s website www.mdfcommerce.com and have been filed with SEDAR+ at www.sedarplus.com.

Non-IFRS Financial Measures and Key Performance Indicators

The Corporation's unaudited interim condensed consolidated financial statements for the three-month and six-month periods ended September 30, 2023 and 2022 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 unaudited 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 earnings (loss)², Adjusted net earnings (loss)² per share, net earnings (loss) before interest, taxes, depreciation and amortization ("EBITDA")¹, Adjusted EBITDA (loss)¹, Adjusted EBITDA margin¹, and certain Revenues presented on a Constant Currency basis³ as a non-IFRS financial measures and Recurring Revenue⁴ and Monthly Recurring Revenues ("MRR")⁴ as key performance indicators.

These non-IFRS measures and key performance indicators do not have standardized meanings under IFRS 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. Management uses both measures that comply with IFRS and non-IFRS 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 the MD&A for the second quarter ended September 30, 2023, as presented in the section 10 "Non-IFRS Financial Measures and Key Performance Indicators". The MD&A for the second quarter ended September 30, 2023, is available on SEDAR+ at www.sedarplus.com and on the Corporation's website at www.mdfcommerce.com under the Investors section.

Conference call for Second quarter fiscal 2024 financial results

Date: Wednesday, November 8, 2023

Time: 9:00 a.m. Eastern Standard Time

To dial-in: 1 833 630-1956 or 412 317-1837 (for international)

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

For further information:

mdf commerce inc.

Luc Filiatreault, President & CEO

Toll free: 1-877-677-9088, ext. 2004

Email: luc.filiatreault@mdfcommerce.com

Deborah Dumoulin, Chief Financial Officer

Toll free: 1-877-677-9088, ext. 2134

Email: deborah.dumoulin@mdfcommerce.com