

mdf commerce reports
Third Quarter of Fiscal 2024 Financial Results

- **Q3 FY2024 revenues of \$30.2 million compared to \$31.7 million in Q3 FY2023, a decrease of \$1.5 million or 4.6%**
 - **Q3 year-over-year revenue decrease of \$0.2 million or 0.6% when excluding InterTrade⁵ revenues and post-closing transition services revenues from Q3 FY2023**
 - **Revenues from eprocurement solutions increased by 4.5% to \$20.7 million for Q3 FY2024**
- **Adjusted EBITDA¹ of \$2.5 million for Q3 FY2024, a significant improvement of \$1.6 million compared to \$0.9 million in Q3 FY2023**
- **Net loss and Adjusted net loss² of \$4.2 million for Q3 FY2024 compared to net earnings of \$15.1 million which included a \$22.9 million gain on the disposal of InterTrade⁵. Significant improvement of \$3.6 million in Adjusted net loss² compared to \$7.8 million for Q3 FY2023.**
- **Net cash generated by operating activities of \$6.4 million for Q3 FY2024, used to reduce long-term debt. Strong improvement over the net cash used in operating activities of \$2.8 million in Q3 prior year.**
- **Over \$5.0 million in cash and cash equivalents at the end of Q3 FY2024**

Montreal, Canada, February 13, 2024 – mdf commerce inc. (the “Corporation”) (TSX:MDF), a SaaS leader in digital commerce technologies, reported third quarter financial results for the three-month period ended December 31, 2023 (“Q3 FY2024”). All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

“We’ve seen a clear shift in public sector focus on digital transformation, with procurement process digitalization listed among the top priorities of state and local governments”, said Luc Filiatreault, President and Chief Executive Officer of mdf commerce. “Our innovative suite of eprocurement solutions purpose-fit for state and local governments, provide efficiencies critical to government agencies who are ultimately seeking to generate taxpayer value. We are excited that we’ve seen year-over-year growth in our eprocurement products, implying broad strength across our product suite. We are well-positioned for strong growth as this digital transformation is primed to accelerate over the next few years.”

During the third quarter we welcomed new mid-market customers to our eprocurement community, closing several multi-year contracts for our eprocurement solutions, mainly focused on our Source, Contract and Connect offerings. Our full-suite of end-to-end procurement solutions offered in modules Source, Contract, Procure, Connect and Shop, are tailored for public sector procurement and provide a strong competitive advantage.

New customer wins in the 2024 fiscal year, including the State of Hawaii which was announced last quarter, and new agency customers in the eprocurement mid-market strategy, are starting to show in our financial results as customer deployments ramp up. “The eprocurement platform revenue grew by 4.5% and 7.4% in Q3 FY2024 and in the nine-month period ended December 31, 2023 (“YTD Q3 FY2024”) respectively compared to the same periods of prior year, and eprocurement Recurring Revenue⁴ continues to trend at 88% of total platform revenues”, said Deborah Dumoulin, Chief Financial Officer of mdf commerce. “We reported a sixth sequential quarter of positive Adjusted EBITDA¹ at \$2.5 million, a significant improvement from \$0.9 million in Q3 prior year, with notable improvements in profitability over the last year and positive cash flow from operations for the quarter. We reported positive net cash generated from operating activities of \$6.4 million for Q3 FY2024, compared to net cash used in operating activities of \$2.8 million in the third quarter last year and ended the third quarter with over \$5.0 million in cash and cash equivalents and with \$1.5 million drawn on the Revolving Facility available under the Credit Agreement. We are pleased that our results show a notable improvement in cash flows from operations.”

Third Quarter Fiscal 2024 Financial Results

Revenues for Q3 FY2024 were \$30.2 million compared to \$31.7 million in Q3 FY2023, a decrease of \$1.5 million or 4.6%. Q3 year-over-year revenue decreased by \$0.2 million or 0.6% when excluding InterTrade⁵, a subsidiary that was sold on October 4, 2022 and contributed \$0.4 million of revenue in Q3 FY2023 and other revenue from post-closing transition services of \$0.9 million. On a Constant Currency³ basis, revenues decreased by \$1.6 million or 4.9% compared to \$31.8 million in Q3 FY2023.

Recurring Revenue⁴ was \$24.8 million or 82.2% of revenues in Q3 FY2024 compared to \$24.7 million or 77.8% in Q3 FY2023. Recurring Revenue⁴ in Q3 FY2023 included \$0.3 million from InterTrade⁵.

Net loss was \$4.2 million for Q3 FY2024 compared to net earnings of \$15.1 million which included a \$22.9 million gain on the disposal of InterTrade.

Adjusted net loss² was \$4.2 million for Q3 FY2024, a significant improvement of \$3.6 million compared to \$7.8 million for Q3 FY2023.

Adjusted EBITDA¹ was \$2.5 million in Q3 FY2024 marking the sixth sequential quarter with positive Adjusted EBITDA¹, a significant improvement of \$1.6 million from \$0.9 million in Q3 FY2023.

Profitability and cash flows from operations have improved significantly in Q3 FY2024 compared to the third quarter of the prior year from new sales, mainly for eprocurement solutions, and as a result of the various right-sizing measures, including a focus on operational efficiency. The US state transaction model agreements (TRX) in eprocurement, for which we collect fees based on a percentage of our customers' spend on eligible goods and services, have contributed positively to cash flows both for Q3 FY2024 and YTD Q3 FY2024 as compared to the same periods in the prior year. We reported net cash generated by operating activities of \$6.4 million for the third quarter this year, compared to net cash used in operating activities of \$2.8 million in the third quarter last year. The net cash generated by operating activities has been used to reduce long-term debt during Q3 FY2024.

As at December 31, 2023, cash and cash equivalents was \$5.0 million and the amount drawn on the Revolving Facility was \$1.5 million, compared to cash and cash equivalents of \$4.0 million and \$7.4 million drawn on the Revolving Facility at March 31, 2023.

Revenue

- The **eprocurement** platform revenues were \$20.7 million in Q3 FY2024, an increase of \$0.9 million or 4.5% compared to \$19.8 million in Q3 FY2023, driven by higher right of use revenues. The Corporation's US-based eprocurement platform revenues were \$15.5 million for Q3 FY2024, an increase of \$0.4 million compared to \$15.1 million for Q3 FY2023.

Recurring Revenue⁴ for the eprocurement platform was \$18.2 million for Q3 FY2024, an increase from \$17.7 million in Q3 FY2023 and representing 88.0% and 88.6% of platform revenues respectively.

The year-to-date Q3 FY2024 revenues from the eprocurement platform were \$61.2 million, an increase of \$4.2 million or 7.4% in comparison to \$57.0 million for the same period of FY2023. The increase is mainly attributable to a \$4.8 million increase in right of use revenues, partially offset by decreases in maintenance and hosting revenue of \$0.3 million, and professional services revenue of \$0.2 million.

The eprocurement platform represents 69% of total consolidated revenues in Q3 FY2024. Our fully integrated end-to-end suite of eprocurement products are offered in modules: Source, Contract, Procure, Connect and Shop. Our full suite of products uniquely supports digital transformation in the public sector, bringing efficiency, transparency and modernization to customer procurement processes, and positions us well for increased market penetration.

Our solutions and the services that we provide to customers are tailored for public sector procurement and provide a strong competitive advantage for both state, large cities and for mid-market agency customers, as well as the supplier network.

Our supplier network in North America includes over 650,000 suppliers and over 6,500 buying organizations. This large customer base and a strong presence in US states position us well for market growth.

During the third quarter of FY2024 we welcomed new mid-market customers to our eprocurement community, including several with multi-year contracts for our eprocurement solutions, mainly for our Source, Contract and Connect offerings. There is a large addressable market for mid-market offerings. Demand for eprocurement digitalization in the mid-market is strong and we expect to see continued acceleration as the mid-market offering gains traction with customers, pipeline conversion is a focus area to generate revenue growth.

- The **ecommerce**⁶ platform revenues were \$5.4 million for Q3 FY2024, compared to \$5.5 million for Q3 FY2023, when excluding Q3 FY2023 revenues from InterTrade⁵ and the related post-closing transition revenues recognized in Q3 FY2023 which represented a decrease of \$0.4 million and \$0.9 million respectively. Total Unified Commerce⁶ platform revenues were \$6.8 million for Q3 FY2023.

Recurring Revenue⁴ for the Unified Commerce platform, which included only ecommerce for Q3 FY2024 was \$3.0 million and represented 55.0% of platform revenues compared to \$2.9 million or 43.5% in Q3 FY2023 which also included InterTrade⁵ with Recurring Revenue⁴ of \$0.3 million.

- The **emarketplaces** platform revenues were \$4.1 million in Q3 FY2024, a decrease of \$0.9 million compared to \$5.0 million in Q3 FY2023. Certain emarketplaces solutions such as The Broker Forum and Jobboom benefited from the macro-economic conditions of recent years. As the worldwide supply chain issues experienced over the past few years subside, revenues from The Broker Forum, an electronic components marketplace, decreased by \$0.7 million in Q3 FY2024 compared to Q3 FY2023. A softer labour market in FY2024 has impacted Jobboom which had a \$0.2 million decrease in revenue in Q3 year-over-year. The closure of Reseau Contact and Power Source Online in Q3 FY2024 resulted in a \$0.1 million decrease in revenues. Revenues from the other emarketplaces solutions were stable compared to Q3 FY2023.

Recurring Revenue⁴ for the emarketplaces platform represented \$3.6 million or 88.9% in Q3 FY2024 compared to \$4.1 million or 81.0% in Q3 FY2023.

Gross margin for Q3 FY2024 was \$17.7 million or 58.5% compared to \$17.8 million or 56.3% for Q3 FY2023. The gross margin percentage increased by 2.2% compared to Q3 of prior year.

Revenues decreased by \$1.5 million while cost of revenues improved by \$1.3 million compared to Q3 FY2023, mostly due to lower salaries expenses of \$0.8 million from workforce reduction initiatives implemented across the Corporation in FY2023 and in early Q1 FY2024, and from lower professional services expenses of \$0.4 million due to a decrease in the use of contractual consultants.

Operating expenses in Q3 FY2024 were \$20.7 million, a significant decrease of \$2.9 million or 12.3% compared to \$23.6 million in Q3 FY2023.

General and administrative expenses totalled \$6.2 million in Q3 FY2024, selling and marketing expenses were \$6.8 million and technology expenses were \$7.7 million, compared to \$6.4 million, \$8.5 million, and \$8.7 million respectively for Q3 FY2023. The reduction in operating expenses is mainly from \$1.2 million of salary savings from workforce reductions and from the sale of InterTrade, a decrease of \$0.9 million in restructuring costs mainly related to termination benefits, a decrease of \$0.4 million in professional services expenses and a decrease of \$0.3 million in amortization and depreciation expenses. This was partially offset by lower capitalized internally developed software of \$0.2 million.

Operating loss The Corporation significantly improved its operating loss by \$2.7 million or 47.2%, from \$5.8 million in Q3 FY2023 to \$3.1 million in Q3 FY2024. This is mainly due to the decrease in operating expenses of \$2.9 million.

Net loss was \$4.2 million, or \$0.10 net loss per share (basic and diluted) for Q3 FY2024, compared to net earnings of \$15.1 million for Q3 FY2023, which included a \$22.9 million gain on disposal of InterTrade, or \$0.34 net earnings per share (basic and diluted) for Q3 FY2023.

Adjusted net loss² was equal to Net loss of \$4.2 million, or \$0.10 Adjusted net loss² per share (basic and diluted) for Q3 FY2024. Adjusted net loss² for Q3 FY2023 was \$7.8 million or \$0.18 Adjusted net loss² per share (basic and diluted).

As a result of the operational efficiencies and cost saving initiatives in FY2023 and in early Q1 FY2024 to improve profitability, there was a significant improvement of \$3.6 million in Adjusted net loss² and \$0.08 in Adjusted net loss² per share (basic and diluted) in Q3 FY2024 compared to Q3 FY2023.

Adjusted EBITDA¹ was \$2.5 million for Q3 FY2024, a significant improvement of \$1.6 million compared to \$0.9 million for Q3 FY2023. This significant improvement in Adjusted EBITDA¹ is mainly due to decreases in operating expenses, following workforce reductions and other cost savings initiatives, partially offset by the reduction in total revenues.

Our Q3 FY2024 financial results show the positive impacts of our focus on operational efficiency, profitability and cash flows, with significant Q3 year-over-year improvements in net loss, Adjusted net loss², and Adjusted EBITDA¹.

Summary of consolidated results

Financial Highlights					
<i>In thousands of Canadian dollars, except number of shares and per share data</i>					
	Q3	Q2	Q3	YTD Q3	YTD Q3
	FY2024	FY2024	FY2023	FY2024	FY2023
Revenues	30,189	30,749	31,652	91,942	97,064
Recurring Revenue ⁴	24,822	24,360	24,728	73,739	77,233
Gross margin	17,653	18,457	17,832	53,823	55,693
Operating loss	(3,053)	(2,031)	(5,787)	(8,138)	(16,708)
Net earnings (loss)	(4,179)	(784)	15,082	(10,078)	(81,010)
Adjusted net loss ²	(4,179)	(784)	(7,804)	(10,078)	(18,896)
Adjusted EBITDA ¹	2,501	3,998	898	9,139	1,168
Net earning (loss) per share (basic and diluted)	(0.10)	(0.02)	0.34	(0.23)	(1.84)
Adjusted net loss ² per share (basic and diluted)	(0.10)	(0.02)	(0.18)	(0.23)	(0.43)
Weighted average number of shares outstanding					
Basic and diluted (in thousands)	43,971	43,971	43,971	43,971	43,971

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

	Q3	Q2	Q3	YTD Q3	YTD Q3
<i>In thousands of Canadian dollars</i>	FY2024	FY2024	FY2023	FY2024	FY2023
Net earnings (loss)	(4,179)	(784)	15,082	(10,078)	(81,010)
Income tax expense (recovery)	(493)	(202)	1,194	(979)	818
Depreciation of property and equipment and amortization of intangible assets	767	802	1,018	2,416	3,104
Amortization of acquired intangible assets	3,136	3,095	3,128	9,329	9,119
Depreciation of right-of-use assets	496	706	566	2,015	1,716
Finance expenses	125	300	228	681	1,911
EBITDA¹ (loss)	(148)	3,917	21,216	3,384	(64,342)
Gain on disposal of a subsidiary	-	-	(22,886)	-	(22,886)
Goodwill impairment loss	-	-	-	-	85,000
Foreign exchange loss (gain)	1,494	(1,345)	594	1,577	(1,793)
Share-based compensation	132	181	47	454	470
Restructuring costs	382	422	1,418	2,225	2,498
Transaction-related costs	641	823	509	1,499	2,221
Adjusted EBITDA¹	2,501	3,998	898	9,139	1,168

Reconciliation of net earnings (loss) and Adjusted net loss²

<i>In thousands of Canadian dollars, except number of shares and per share data</i>	Q3 FY2024	Q2 FY2024	Q3 FY2023	YTD Q3 FY2024	YTD Q3 FY2023
Net earnings (loss)	(4,179)	(784)	15,082	(10,078)	(81,010)
Gain on disposal of a subsidiary	-	-	(22,886)	-	(22,886)
Goodwill impairment loss	-	-	-	-	85,000
Adjusted net loss²	(4,179)	(784)	(7,804)	(10,078)	(18,896)
Weighted average number of shares outstanding Basic and diluted (in thousands)	43,971	43,971	43,971	43,971	43,971
Net earnings (loss) per share – basic and diluted	(0.10)	(0.02)	0.34	(0.23)	(1.84)
Adjusted net loss² per share – basic and diluted	(0.10)	(0.02)	(0.18)	(0.23)	(0.43)

Reconciliation of revenues on a Constant Currency basis³

<i>In thousands of Canadian dollars, unless otherwise noted</i>	Q3 FY2024	Q3 FY2023	Var. \$	Var. %	Q3 FY2024	Q2 FY2024	Var. \$	Var. %	YTD Q3 FY2024	YTD Q3 FY2023	Var. \$	Var. %
Revenues	30,189	31,652	(1,463)	(4.6)	30,189	30,749	(560)	(1.8)	91,942	97,064	(5,122)	(5.3)
Constant Currency impact	-	106	(106)	-	-	297	(297)	-	-	1,778	(1,778)	-
Revenues in Constant Currency	30,189	31,758	(1,569)	(4.9)	30,189	31,046	(857)	(2.8)	91,942	98,842	(6,900)	(7.0)

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 third quarter ended December 31, 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 third quarter ended December 31, 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 third quarter ended December 31, 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 third quarter ended December 31, 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 Q3 FY2023 and YTD Q3 FY2023 revenue for InterTrade which was \$0.4 million and \$7.2 million respectively, by excluding post-closing transition services revenues which totalled \$0.9 million for both Q3 FY2023 and YTD Q3 2023, and by excluding Q3 FY2023 and YTD Q3 FY2023 Recurring Revenue⁴ of \$0.3 million and \$6.7 million respectively.

⁶ The Unified Commerce platform, which included both ecommerce and Supply Chain Collaboration solutions, was renamed ecommerce following the sale of InterTrade.

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 emarketplace 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](https://www.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 February 13, 2024, and unless specifically stated otherwise, all information disclosed herein is provided as at December 31, 2023 and for the third 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 third quarter ended December 31, 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 December 31, 2023 and 2022, the MD&A for the third quarter ended December 31, 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 nine-month periods ended December 31, 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 third quarter ended December 31, 2023, as presented in the section 10 "Non-IFRS Financial Measures and Key Performance Indicators". The MD&A for the third quarter ended December 31, 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 Third quarter fiscal 2024 financial results

Date: Wednesday, February 14, 2024

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