

# **PUDO INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**

**QUARTERLY HIGHLIGHTS**

**FOR THE THREE AND NINE MONTH PERIODS ENDED**

**November 30, 2020 and 2019**

**(EXPRESSED IN CANADIAN DOLLARS)**

**Prepared by:**

**PUDO Inc.**

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**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

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## **Introduction**

The following interim Management's Discussion and Analysis – Quarterly Highlights (the “Quarterly Highlights”) of the financial condition and results of the operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine month periods ended November 30, 2020 (“Q3 FY 2021”), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine month periods ended November 30, 2020, the audited annual consolidated financial statements of the Company for the years ended February 29, 2020 and February 28, 2019, together with the notes thereto, and the Management's Discussion and Analysis (“Annual MD&A”) Report of the Company for the year ended February 29, 2020. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's condensed interim unaudited financial statements and financial information contained in these Quarterly Highlights were prepared in compliance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) using the accounting policies the Company adopted in its annual consolidated financial statements as at and for the year ended February 29, 2020, except for the adoption of new standards effective as of March 1, 2020 and interpretations issued by the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

Further information regarding the Company and its operations are available on the Company's website at [www.pudopoint.com](http://www.pudopoint.com) and under the Company's SEDAR issuer profile at [www.sedar.com](http://www.sedar.com), or upon request to the Company at 6600 Goreway Drive Unit D, Mississauga, Ontario, Canada, L4V 1S6.

## **Description of Business**

PUDO is listed on the Canadian Securities Exchange (“CSE”) under the symbol “PDO” and on the OTCQB exchange under the symbol “PDPTF”.

PUDO's purpose is to improve the connection between e-commerce and consumers. PUDO deploys their technology to provide consumers with convenient locations to Pick-Up or Drop-Off (“PUDO” or the “Network”) e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) providers, and courier companies, consumers can take secure delivery of their parcels or drop-off returns where, and when, it's convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (a “PUDOpoint”). PUDOpoints are typically open extended hours, seven days a week to make it convenient for busy consumers to quickly and efficiently collect what they've ordered online or drop off what they need to return.

PUDO's services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. Not only convenient, these services can also save money. Couriers don't have to attempt delivery a second or third time or make other arrangements with customers who aren't home. Retailers can ship directly to PUDOpoints saving residential delivery costs and reducing the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

---

**Cautionary Note Regarding Forward-Looking Information**

These Quarterly Highlights contain certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements address possible future events, conditions and financial performance based upon management's current expectations, estimates, projections and assumptions.

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by its very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation, those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated May 28, 2020.

All forward-looking statements herein are expressly qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in these Quarterly Highlights are made only as of the date of these Quarterly Highlights or as of the date specified in such statement. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

**Highlights**

The World Health Organization declared a global emergency on January 30, 2020 as a result of the 2019 novel coronavirus ("COVID-19"), then characterized it as a pandemic on March 11, 2020. The outbreak spread globally causing companies and various jurisdictions, including Canada and the United States, to impose restrictions, such as quarantines, closures, cancellations, and travel restrictions including closing the Canada – United States border. While these effects were expected to be temporary, and although some vaccines are being approved and administered, the duration of the business disruptions and the related financial impact cannot be reasonably estimated at this time. At this point, the extent to which COVID-19 may impact the Company's results and business for fiscal year 2021, including parcel volumes, is unclear. PUDO's consolidated results in Q3 FY 2021 have been negatively impacted by this event. The impact of the outbreak continues to be unknown. The extent of the impact will depend on future developments. The Company's employees continue to work from home to manage the PUDO Network in support of its partners and customers.

Below are a few Company highlights during Q3 FY 2021:

- 📍 Revenue was up 74.8% compared to the same quarter in the prior fiscal year as a result of increased 3PL shipments and returns parcels that used PUDO's discounted shipping rates along with access to the PUDOpoint Counters network for online retailers' customers to drop off parcels to be returned to retailers. The returns parcels are picked up and consolidated by PUDO leveraging their current relationships with courier/shipping partners. This increase in revenue was offset in two service areas the first being reduced failed first attempt home delivery (Failed First Attempt" or "FFA") parcels as more customers were at home during the COVID-19 pandemic and the requirement to work from home offices and the second as a result of the Canada-USA border being closed to non-essential travel due to the COVID-19 pandemic for border member shipments.

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

---

- 📍 Management continued to invest in ongoing software development to enhance PUDO's current software technology and database structure to better manage API integration of PUDO's various new service offerings with current and new partners.
- 📍 Other significant announcements and media coverage during the third quarter include:
  - On September 24, 2020, PUDO CEO Frank Coccia was interviewed by Steve Darling from Proactive Investors, Vancouver to discuss the PUDOpoint Counters network.
    - <https://www.youtube.com/watch?v=TmLzltvjRVU>
  - On September 30, 2020, Frank Coccia participated in an OTC Markets Group Podcast to discuss how PUDO provides the technology that manages the PUDOpoint Counters pick-up and drop-off hubs throughout North America.
    - [https://www.otcmarkets.com/podcast/otcqb?utm\\_source=hootsuite&utm\\_medium=social&utm\\_term=&utm\\_content=&utm\\_campaign=OTCQB%20Podcast](https://www.otcmarkets.com/podcast/otcqb?utm_source=hootsuite&utm_medium=social&utm_term=&utm_content=&utm_campaign=OTCQB%20Podcast)
  - On October 15, 2020, PUDO and ZigZag Global announced through its partnership with UK-based ZigZag Global ("ZigZag"), a best-in-class returns portal for online retailers, that it had expanded e-commerce returns services to customers of some of the world's largest retailers by networking the PUDO Network with the ZigZag returns portals in online retail websites.
    - [https://webfiles.thecse.com/2020-10-15\\_Release\\_ZigZag\\_Returns\\_Publish.pdf?YLZx3QOcx4Q.H4AfOwMHR5zdjjTu\\_Lsa](https://webfiles.thecse.com/2020-10-15_Release_ZigZag_Returns_Publish.pdf?YLZx3QOcx4Q.H4AfOwMHR5zdjjTu_Lsa)
    - <https://www.zigzag.global/pudopoint-counters-partners-with-zigzag-global-to-provide-a-convenient-last-mile-solution-for-north-america/>
  - On October 24 and 25, 2020, B-TV Business Television News broadcasted the following story on national television. "PUDO Inc. is North America's only carrier-neutral parcel pick-up and drop-off counter Network. It was conceived to resolve the last-mile parcel-traffic-control gridlock that challenges North America's \$827B e-commerce sector, and eliminate over \$6B in door-dropped parcel theft annually. PUDO is connecting retailers, couriers and consumers for parcel pick up, drop off and returns with a network called PUDOpoint Counters. Further, the counters are strategically located very close to where people live, work and play."
    - [Link to 4 minute video](#)
  - On November 25, 2020, the Issuer announced an agreement with The Salvation Army Thrift Store, NRO to utilize PUDO's GiveBackCanada.ca program. This partnership will enable Canadians to ship their unwanted clothing and footwear to The Salvation Army Thrift Store from a PUDOpoint location at no cost by downloading a free shipping label and packing their donations in recycled cardboard boxes. By piggybacking on PUDO's existing returns logistics Network donations are consolidated at the community level and shipped from major Canadian cities, to regional warehouses for sorting and re-distribution to thrift stores.
    - [https://webfiles.thecse.com/2020-11-25\\_PUDO\\_GBC\\_SATS\\_Publish.pdf?1dIT3Xlqb9njNT2pBk.VtYp9awVHiE.W](https://webfiles.thecse.com/2020-11-25_PUDO_GBC_SATS_Publish.pdf?1dIT3Xlqb9njNT2pBk.VtYp9awVHiE.W)

### **Capital Resources**

During Q3 FY2021, the Company completed the following capital transactions:

- 📍 31,620 common shares were issued upon the early exercise of common share purchase warrants (expiry date January 24, 2020) for total proceeds of \$21,818 to the Company for ongoing operating activities.
- 📍 137,574 common shares were issued upon the exercise of common share purchase warrants (expiry date November 7, 2020) for total proceeds to the Company of \$74,290 for ongoing operating activities.

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

---

- 📍 44,444 common shares were issued for professional advisory services to the Company valued at \$87,998.

## Operations

### ***PUDOpoint Network***

The Company continued to develop the PUDOpoint Counter network within Canada and the United States while working closely with current partners, identifying strategic areas where they required locations to support their various programs to customers. New locations have been activated where partners have indicated a need for PUDO's services, including Failed First Attempts, returns, 3PL parcel shipments, and Pickup Counters. This has been minimally offset by PUDOpoint Counter locations that have had operations suspended due to COVID-19. As well, PUDO continues to expand and develop its database of registered PUDOpoint Counter locations that are ready to be activated in support of PUDO partners as they expand into those services and regions.

During Q3 FY 2021 the PUDOpoint Counter network expanded to 1,320 locations across Canada and the US, a 16.8% increase from the prior quarter ended August 31, 2020 ("Q2 FY 2021").

### ***Parcel Volume Analysis***

Parcel volume and other factors within the e-commerce ecosystem can affect PUDO's goals and performance during its continued growth and evolution. During Q3 FY 2021 the COVID-19 pandemic impacted overall parcel volume being delivered within the PUDO Network. With most businesses shut down and employees working from home, Failed First Attempts decreased as consumers were at home to accept packages, reducing the requirement for an alternative delivery location. PUDO's Network is comprised mainly of convenience stores that were deemed essential services. This allowed PUDO's partners to successfully utilize alternative delivery locations when they did require the Network. The PUDOpoint Counters support their local communities as a safe haven for parcel deliveries, returns, or donations.

While the Company continued to strategically manage the growth and development of the PUDOpoint Counter network throughout Q3 FY 2021, overall parcel volume increased by 7.5% compared to the three month period ended November 30, 2019 ("Q3 FY 2020"). In sequential quarters, overall parcel volume volumes in Q3 FY 2021 as compared to Q2 FY 2021 increased by 49.7% even as COVID-19 continued to impact some services. During this quarter, Q3 FY 2021, partner shipments increased 55% over the same quarter in the previous year primarily as a result of new services added since the prior year.

During the same three month period, border member shipment volumes were down 81.9% as compared to Q3 FY 2020 and in sequential quarters were down 19.4% relative to Q2 FY 2021. These border member shipment decreases came as a result of the Canada-USA border closure extension to non-essential travel due to the COVID-19 pandemic. In Q3 FY 2021, partner shipments represented 94.1% of the Company's total volumes, up from 65.3% in the same quarter in the prior fiscal year.

During the nine months ended November 30, 2020 overall parcel volumes decreased by 9.3% relative to the nine months ended November 30, 2019 in the prior year, primarily as a result of the 75.8% decrease in border member shipments due to the Canada-USA border being closed to non-essential travel due to the COVID-19 pandemic.

Below is a summary of PUDO's current parcel services being utilized by partners and customers:

- 📍 Courier Pickup ("For Pickup" or "FPU"): During Q3 FY 2021, PUDO courier pickup service at PUDOpoint locations continued to see growth with parcel volume increasing by approximately 415% compared to Q3 FY 2020. This is a result of a large customer continuing to expand their use of PUDOpoint Counter locations as drop off locations for courier and customer pickups. In sequential quarters, courier pickup parcel volumes in Q3 FY 2021 as compared to Q2 FY 2021 increased by 53.6%

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

---

as this service continued to expand. During the nine months ended November 30, 2020 Courier pickup parcel volumes increased by 360% relative to the nine months ended November 30, 2019 in the prior year

- 📍 *Third Party Logistics ("3PL")*: During Q3 FY 2021, 3PL parcel shipments increased by approximately 1,200% relative to the prior year, Q3 FY 2020 as a result of 3PL being a relatively new service offered during Q3 FY 2020. In sequential quarters, 3PL parcel shipments in Q3 FY 2021 as compared to Q2 FY 2021 increased by approximately 165%. The increase was a result of a PUDO partner experiencing higher shipping volumes than expected due to the surge in online shopping as many bricks and mortar retail locations scaled back their in-store operations significantly due to COVID-19 restrictions. During the nine months ended November 30, 2020 3PL parcel shipments increased by approximately 2,330% relative to the nine months in the prior year. This increase was a result of this service being a new offering launched in late Q3 FY 2020.
- 📍 *Failed First Attempts ("FFA")*: During Q3 FY 2021 total FFA parcel volume decreased by 13.4% relative to Q3 FY 2020. In sequential quarters, parcel volumes in Q3 FY 2021 compared to Q2 FY 2021 increased by 32.6%. This increase between these sequential quarters is related to a dramatic increase in online shopping during the start of the holiday shipping season offset by customers being home to accept their parcels, reducing the requirement of redirects to PUDOpoint locations. During the nine months ended November 30, 2020 FFA parcel volumes decreased by 17.0% relative to the nine months in the prior year. This decrease was a result of many more customers being at home to accept parcels during COVID-19 reducing the need for a safe alternative delivery location.
- 📍 *Returns*: During Q3 FY 2021 returns parcels increased by approximately 170% as compared to the prior year, Q3 FY 2020. In sequential quarters, returns parcel volume in Q3 FY 2021 as compared to Q2 FY 2021 increased by 2.8%. These increases resulted from PUDO adding new clients to the PUDO returns service, thereby reducing returns costs for their clients. During the nine months ended November 30, 2020, returns parcels increased by approximately 90% relative to the nine months in the prior year. This increase was a result of PUDO's partners increasing additional client volumes as the value of this service offering provided by PUDO reduced costs for their clients
- 📍 *Border Member*: During Q3 FY 2021 total border member parcel volume decreased by approximately 80% relative to Q3 FY 2020. In sequential quarters, parcel volumes in Q3 FY 2021 compared to Q3 FY 2021 decreased by 19.4%. During the nine months ended November 30, 2020 border member parcel volume decreased by approximately 75% relative to the nine months in the prior year. These decreases were a direct result of COVID-19 and the continued closure of the Canada – USA border to non-essential travel during these three and nine month periods ended November 30, 2020 relative to the same periods in 2019.
- 📍 *Pickup Counters*: As a result of a successful program with large US e-commerce retailers that ran a piloted test program in Q4 FY 2020, followed by another pilot test program in Canada during Q2 FY 2021 over 700 PUDOpoint Counter locations are now appearing at checkout as alternative delivery options for the e-commerce retailer's customers. As a result of this new combined parcel volume generated by the pilot test programs during Q3 FY 2021, pickup counter parcel volumes increased by approximately 145% over the prior quarter, Q2 FY 2021.

### **Outlook**

Revenue in Q3 FY 2021 was the highest of any financial quarter in PUDO's history, irrespective of the global COVID-19 pandemic and associated complications for the e-commerce sector and supply chains. Based on the current, long-awaited exponential growth of the PUDO Network, management believes that revenue and volume growth should continue into the future, with increases in per parcel gross revenues earned on returns and new cross-border services.

The expanded PUDO Network is very much like the internet, in that parcel traffic is in perpetual motion in both directions, consolidating and diverging in thousands of co-locations (PUDOpoint Counters, PUDO

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

---

cross-docks, PUDO 3PLs) on demand and as required by users. As the PUDO Network grows domestically and abroad, and volumes increase, there exists more and more opportunities for stakeholders of all sizes to drop volumes into the stream at any point in the Network, and save both time and money by leveraging in-process traffic volume. As volumes increase incrementally, and PUDO logistics optimize two-way and cross-border parcel traffic, per-parcel revenues also increase.

In Q1 and Q2 FY 2022, management expects the addition of new international parcel traffic directly to PUDO locations, originating in the online checkouts of e-commerce retailers, as IT and Network integration discussions are presently ongoing between PUDO and new e-commerce retailers. Management notes that COVID-19 pandemic-related factors and uncertainties may delay launch.

Also starting in Q1 FY 2022, management expects that PUDO's operating costs will increase in order to expedite the activation of new PUDOpoint Counters, and to train new and existing operators on the Company's expanded suite of services. Expansion will be concentrated in high density areas where there are many multi-family and apartment-style dwellings without doormen to receive packages and where leaving packages unattended is unsafe. The Company is working together with major retail and courier partners to identify locations into which parcel traffic will flow immediately upon activation.

Overall, the future of e-commerce logistics is promising for companies like PUDO who can scale in real time, respond to change quickly, and do so virtually, with little capital investment. E-commerce has been forever changed by the global COVID-19 pandemic. Statista forecasts + 15% increases annually in parcel volume and spending through to 2025.

Within e-commerce, there has been and will continue to be a demand by all stakeholders, for a 'Counters' type of parcel pick-up, drop-off, and returns management solutions that PUDO offers. In the UK, where PUDO-like Counters services are ubiquitous and define e-commerce logistics, the service is known as 'click and collect' – consumers choose or are directed to a Counters location in online check-outs.

In North America, the click and collect option has been growing steadily in popularity for the past several years. In 2016, up to one-third of online shoppers chose a pick-up location, and that number has increased dramatically, with a 554% increase YOY in May of 2020 (bringg.com). E-commerce and omnichannel stakeholders in the United States and Canada are struggling to respond to demand, and innovators are turning to PUDO for relief.

Through expansion partnership with large e-commerce retailers and national couriers, PUDO is expanding its PUDOpoint Counters Network and 'click-and-collect' services in tandem, making them available to all registered and authorized carriers the moment they are activated.

PUDO is the only e-commerce logistics Company creating an open counters Network, and with major e-commerce players already on-board, there is confidence that the 20-50 new PUDOpoint Counters activation path that the Company is currently on, will continue through 2021. As the Network continues to grow, a set of force-multiplying factors have been set into play that should continue to exponentially increase new and existing PUDOpoint Counters volumes, and demonstrate Network value to the e-commerce sector and to consumers. Namely:

- 📍 Continued growth of international returns, through SaaS partners like Zigzag Global
- 📍 Continued growth of domestic returns, dictated by existing retail and carrier partners
- 📍 Continued growth of failed-first-attempt volume, as existing partners access new Counters
- 📍 Growth of ship-direct-to-PUDO volume, as Counters appear in existing partner online checkouts
- 📍 Growth of ship-direct-to-PUDO volume, as new consumer/small business members realize click-and-collect convenience via PAGO - using a PPC address as their home-away-from-home address

The recent strategic alliance with Frontier Distribution, together with PUDOpoint Counters locations situated near the Canada-US border (Kinek) should figure prominently, as the Company activates this re-designed

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

collective as a borderpoint mini network of one-stop customs-clearance centres for parcels moving across the border in either direction, destined for any Counters location. No other e-commerce logistics company offers a carrier-neutral cross-border service such as this, and confidence is high that small businesses and retailers will begin using the cost-effective open Network 3PL and customs clearance services unavailable to them previously.

"It has been an extraordinary challenge to maintain Network and corporate expansion during these past several months, amid a non-stop stream of complex COVID-19 related issues impacting the operations of our clients and partners, but we prevailed and I couldn't be more proud of our team," says PUDO CEO Frank Coccia. "We grew our expansion staff relatively seamlessly, and they were very quickly able to both help activate new PUDOpoint Counters location within our two-day average window and provide excellent support for existing and legacy operators. This speaks to our ability to continue scaling quickly and maintain scan compliance rates dictated by our major retail partners; a critical factor as we prepare to on-board major regional and national retail partners, and home-delivery carriers in the new year."

**Financial Condition and Performance**

**Financial Performance**

A summary of selected financial information for the three and nine month periods ended November 30, 2020 and 2019 is included below:

**PUDO Inc.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)  
(Unaudited)

	Three Months Ended November 30		Nine Months Ended November 30	
	2020	2019	2020	2019
Revenue	\$ 485,087	\$ 277,567	\$ 1,068,405	\$ 722,517
Cost of sales	(343,226)	(122,866)	(722,179)	(279,466)
<b>Gross profit</b>	<b>141,861</b>	154,701	<b>346,226</b>	443,051
Administrative expenses	(604,558)	(407,419)	(1,345,166)	(1,480,084)
Share-based compensation*	(80,874)	(149,418)	(198,448)	(456,996)
<b>Operating loss</b>	<b>(543,571)</b>	(402,136)	<b>(1,197,388)</b>	(1,494,029)
Finance costs	(1,264)	(38,763)	(10,249)	(129,449)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (544,835)</b>	\$ (440,899)	<b>\$ (1,207,637)</b>	\$ (1,623,478)
<b>Loss per share - basic and diluted</b>	<b>\$ (0.02)</b>	\$ (0.02)	<b>\$ (0.05)</b>	\$ (0.08)

\*non-cash expense related to the amortization of performance options for directors, management and employees.

During the three month period ended November 30, 2020, revenue was \$485,087 (November 30, 2019 - \$277,567), representing an increase of 74.8% over the same period last year due to new 3PL shipments, increased returns parcels, and the successful implementation of additional PUDO services to current and new partners, offset by the decrease in Failed First Attempt parcels to PUDOpoint Counter Locations as a result of a higher number of consumers being at home to accept their parcels during the COVID-19 pandemic and also due to the Canada-USA border being closed to non-essential travel due to the COVID-19 pandemic. For the nine months ended November 30, 2020, revenue increased \$345,888 to \$1,068,405

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

---

representing a 47.9% increase over the same period in the prior year as a result of the increase primarily in PUDO returns and 3PL services.

Gross profit for the three months ended November 30, 2020 was \$141,861 (November 30, 2019 - \$154,701) representing a decrease of \$12,840 or 8.3% over the same period last year. For the nine months ended November 30, 2020 gross profit decreased by \$96,825 or 21.8% over the same nine month period in the prior year. These decreases are primarily a result of the fixed costs associated with the shipping fees related to new parcel services for 3PL parcel shipments, which generates a lower gross profit margin relative to PUDO's Failed First Attempts, for Pickups, returns and border member parcel services.

During the three months ended November 30, 2020, the Company reported a net loss of \$544,835 (\$0.02 basic and diluted loss per share), an increase of \$103,936 compared with a net loss of \$440,899 (\$0.02 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. Most of this increased loss was attributable to an increase in administrative expenses as a result of the increase in salaries due to the new full time customer support resources hired in FY 2021 to support the increased revenues, offset by the decrease in travel costs resulting from the COVID-19 pandemic travel restrictions and by the non-cash expense related to share-based compensation.

The net loss for the nine months ended November 30, 2020 was \$1,207,637 (\$0.05 basic and diluted loss per share), a 25.6% decrease from a net loss of \$1,623,478 (\$0.08 basic and diluted loss per share) in the corresponding period in the prior fiscal year, primarily due to a reduction in senior management salaries and benefits costs overall and non-cash share-based compensation relative to the corresponding period of the prior fiscal year.

Administrative expenses for the three months ended November 30, 2020 was \$604,558 (November 30, 2019 - \$407,419), representing an increase of \$197,139 or 48.4% over the same period last year primarily as a result of new resources added to the customer support team and media and investor relations services. For the nine months ended November 30, 2020, administrative expenses decreased by \$134,918 or 9% relative to same nine month period in the prior fiscal year. This decrease relates primarily to the impact of the reduction in travel due to COVID-19 travel restrictions and reduced consulting fees relative to the prior year.

Non-cash share-based compensation for the three and nine month periods ended November 30, 2020 was \$80,874 and \$198,448 (November 30, 2019 - \$149,418 and \$456,996), respectively, representing a decrease relative to the corresponding periods in the prior fiscal year.

### ***Financial Condition***

As at November 30, 2020, the Company had total assets of \$1,409,181 (February 29, 2020 - \$2,468,321). This decrease was primarily attributed to the related costs associated with operations and repayment of debt owing to a company with a common officer and director.

The Company had a working capital surplus of \$828,451 (February 29, 2020 - \$1,545,969), had not yet achieved profitable operations, had used cash in operating activities of \$973,061 for the nine month period ended November 30, 2020 (November 30, 2019 - \$685,444), had a deficit of \$10,983,780 as at November 30, 2020 (February 29, 2020 - \$10,159,033) and had shareholders' equity of \$996,857 (February 29, 2020 - \$1,670,552). The continuing operations of the Company are dependent upon its ability to commence profitable operations and raise adequate financing in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future.

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

---

**Cash Flows**

During the nine month period ended November 30, 2020, cash decreased by \$1,164,649 to \$848,867 (February 29, 2020 – \$2,038,493) due to \$973,061 cash used in operating activities, \$106,465 in cash used in investing activities and a total of \$85,123 cash used in financing activities.

**Liquidity and Capital Resources**

As noted in the Annual MD&A and previous Quarterly Highlights, the Company generates limited cash from operations. The Company's primary source of cash to date has been through equity financings. The Company's outstanding loans and borrowings as at November 30, 2020 consist of the following:

	<b>November 30 2020</b>	<b>February 29 2020</b>
Loan payable (Atlantic Canada Opportunities Agency) 6 instalments repayable at \$4,458 per month	\$ 26,748	\$ 66,870
Less: Discount future contractual cash flows	1,135	6,244
	<b>25,613</b>	60,626
Less: Current portion	<b>25,613</b>	47,581
	<b>\$ -</b>	<b>\$ 13,045</b>

Future repayments on the loan as at November 30, 2020 include the following:

December 1, 2020 to February 28, 2021	\$ 13,374
March 1, 2021 to June 22, 2021	13,374
	<b>\$ 26,748</b>

During the nine month period ended November 30, 2020, the \$232,855 balance of the promissory note including accrued interest was fully repaid in the first quarter.

<b>Opening balance – February 29, 2019</b>	<b>\$ -</b>
Promissory note	591,000
Interest expense	63,460
Partial settlement of promissory note	(425,000)
<b>Balance – February 29, 2020</b>	<b>\$ 229,460</b>
Interest expense	3,395
<b>Total</b>	<b>\$ 232,855</b>
Repayment of promissory note	(232,855)
<b>Balance – November 30, 2020</b>	<b>\$ -</b>

The Company has a history of successfully raising the capital needed to operate and believes it can continue to raise any necessary capital. However, the history of losses reflects material uncertainty which may cast significant doubt on the ability of the Company to continue to operate as a going concern.

The unaudited condensed interim consolidated financial statements for the three and nine month periods ended November 30, 2020 have been prepared with the assumption that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the course of operations. They do not include any adjustments that may be required if it were not able to continue as a going concern. The Company's financial statements for the year ended February 29, 2020 contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going

**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2020**  
**Discussion dated: December 21, 2020**

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concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

**Related Party Transactions**

During the three and nine month periods ended November 30, 2020 and 2019, the Company had the following transactions with shareholders, management, and directors:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2020	2019	2020	2019
Share-based compensation	\$ 80,874	\$ 149,418	\$ 149,418	\$ 456,996
Salaries and benefits	43,500	60,310	128,404	407,034
Consulting fees	10,660	10,703	34,502	33,020
	<b>\$ 135,034</b>	<b>\$ 220,431</b>	<b>\$ 312,324</b>	<b>\$ 897,050</b>

During the three and nine month periods ended November 30, 2020 and 2019, the Company incurred accounting fees and office rental, which is included in accounting and office expense, of \$16,680 and \$95,395 (November 30, 2019 - \$29,850 and \$113,550), respectively to a company with a common officer and director.

As at November 30, 2020, balances payable to the related parties noted above amounted to \$18,956 (February 29, 2020 - \$140,313) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

All related party transactions were made on terms equivalent to those that would prevail in arm's length transactions.

**Subsequent events**

The Company evaluated subsequent events through December 21, 2020, the date these Interim Quarterly Highlights were approved and authorized for issue. There were no material subsequent events that required recognition or additional disclosure in the Quarterly Highlights.

**Risk Factors**

The Annual MD&A for the year ended February 29, 2020, dated May 28, 2020 and filed on SEDAR ([www.sedar.com](http://www.sedar.com)), sets out a brief summary of certain risk factors for which adverse occurrences may have a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of risk factors. No significant changes to those risk factors have occurred in the 2021 fiscal year and to the date of this report, other than the impact of the COVID-19 pandemic on the general North American economy, and more specifically on PUDO's operations. This continues to be monitored by PUDO's management team as their customers, partners and members deal with the impact of the COVID-19 pandemic.