

POSaBIT Q2 Revenue Increases 232% to USD \$5.0M; Increases Guidance for Full Year Revenue to \$17.5M - \$19M; Plans Expansion to Support Hyper Growth Rate

TORONTO & SEATTLE--(BUSINESS WIRE)--July 22, 2021--POSaBIT Systems Corporation (CSE: PBIT, OTC:POSAF), the leading provider of payments infrastructure in the cannabis industry, today announced its financial results in U.S. dollars for the three months ended June 30, 2021.

“We delivered another quarter of exceptionally strong revenue growth and are increasingly enthusiastic about the trajectory of our business for the remainder of 2021 and beyond,” said Ryan Hamlin, CEO and Co-founder of POSaBIT. “In just six months we have already exceeded our 2020 full year revenue and all indicators point towards a doubling of revenue for the second year in a row in 2021. Accordingly, we are raising our top-line guidance by more than 20% for the full year 2021 given our accelerating momentum and our plans for further expansion. Importantly, our strong financial results are enabling us to reinvest for additional growth. Over the coming months we expect to double our team of professionals with a focus on client support, business development, software development and technical support.”

Hamlin continued, “Customer demand for our suite of cashless payment solutions remains extremely strong, and we are executing well across an established base that includes operations in 14 U.S. states. Later in 2021 we will be leveraging our experience and existing infrastructure to commence operations in Canada, and an additional five to eight U.S. states. Through new offerings, increasing volumes at existing stores and geographic expansion, we expect to capture a large share of the market and continue to grow by helping our clients drive efficiency and top-line revenue.”

Second Quarter 2021 Financial Highlights

- Transactional sales for payment processing totaled \$87.3 million, up 331% compared with \$26.4 million in the second quarter of 2020
- Total revenue was \$5.0 million, up 232% compared with \$1.5 million in the second quarter of 2020
- Gross profit was \$1.3 million, or 27% of revenue, up 350% compared with \$292 thousand, or 20% of revenue in the second quarter of 2020
- Net loss was \$(878) thousand compared with a net loss of \$(242) thousand in the second quarter of 2020
- Adjusted EBITDA was \$185 thousand compared with \$(240) thousand in the second quarter of 2020

Adjusted EBITDA is a non-IFRS measure used by management that does not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as net income or loss generated for the period as reported, before interest, taxes, depreciation and amortization and is further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains

and/or losses, impairments. The Company believes this is a useful metric to evaluate its core operating performance.

Warrants and Cash Update

As of June 30, 2021, the company had cash of approximately \$5.0 million compared to approximately \$1.0 million as of December 31, 2020. This increase was partially driven by approximately \$762,000 of cash received from the exercise of 3,804,030 outstanding warrants during the period.

Operational Highlights

- Largest ever quarterly increase of new merchants joining the POSaBIT platform
- Two large, high volume, multi-state operator (MSO) chains entered into agreements with POSaBit, adding 20 stores each
- POSaBIT is pleased to announce the addition of Louis Camhi to its board and Antony “Tony” Stern to its advisory panel. Tony and Louis have extensive capital market experience and will be a strategic asset as we continue to grow.

Financial Results

<i>in US Dollars</i>	Three months ended			Six months ended		
	June 30, 2021	June 30, 2020	Change	June 30, 2021	June 30, 2020	Change
Revenue	4,958,332	1,492,982	232.1%	8,504,675	2,435,254	249.2%
Cost of goods sold	(3,642,732)	(1,200,592)	203.4%	(6,289,359)	(2,072,031)	203.5%
Gross profit	1,315,600	292,390	349.9%	2,215,316	363,223	509.9%
<i>Gross profit margin</i>	26.5%	19.6%	+6.9bps	26%	14.9%	+11.1bps
Operating costs	(1,094,438)	(570,830)	91.7%	(2,140,479)	(1,200,374)	78.3%
Operating loss	222,162	(278,439)	179.4%	74,837	(837,151)	108.9%
Other expenses (income)	(1,099,394)	44,977	-2544.3%	(1,467,151)	48,604	-3118.6%
Net loss	(878,232)	(233,462)	276.2%	(1,392,314)	(788,547)	76.6%

The following table reconciles Adjusted EBITDA to net loss, as reported.

	Three months ended		
	June 30, 2021	June 30, 2020	March 31, 2021
Loss from continuing operations, as reported	(878,232)	(232,462)	(514,082)
Add back: finance costs	29,464	22,560	34,186
Add back: amortization and depreciation	53,094	89,878	74,152

Add back: fair value digital assets	1,843	1,041	(2,151)
Add back: fair value expected credit losses	7,406	5,672	(8,636)
Add back: derivate liability	1,038,498	-	322,381
Add back: loss on disposal of assets	-	-	1,301
Add back: share-based compensation	139,828	21,878	56,458
Less: gain on discontinued operations	-	(142,580)	-
(Deduct) / add back foreign exchange (gains) / losses	(206,658)	(5,345)	107,156
Adjusted EBITDA	185,043	(240,358)	70,765

2021 Outlook

The Company provides the following revised guidance for the full year 2021.

	Prior Guidance	Revised Guidance
	(as of May 22, 2021)	(as of July 22, 2021)
Total Revenue	\$14.5M - \$16.0M	\$17.5M - \$19M
Transaction sales for card services	\$275M - \$300M	\$350M - \$375M
Gross Profit Margin	28% - 32%	Unchanged

Conference Call Information

Date: July 22, 2021

Time: 4:30pm Eastern Time

Toll-Free: 888-506-0062; Entry Code: 645461

International: 973-528-0011; Entry Code: 645461

Live Webcast: <https://www.webcaster4.com/Webcast/Page/2708/42043>

Conference Call Replay Information:

The replay will be available approximately 1 hour after the completion of the live event.

Toll Free: 877-481-4010

International: 919-882-2331

Replay Passcode: 42043

Replay Webcast: <https://www.webcaster4.com/Webcast/Page/2708/42043>

Financial Reports

Full details of the financial and operating results are described in the company's consolidated financial statements with accompanying notes. The consolidated financial statements and

additional information about POSaBIT are available on the company's website at www.posabit.com/investor-relations or on SEDAR at www.sedar.com.

Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding our business strategy, product development, timing of product development, events and courses of action.

Statements which are not purely historical are forward-looking statements and include any statements regarding beliefs, plans, outlook, expectations or intentions regarding the future including words or phrases such as “anticipate,” “objective,” “may,” “will,” “might,” “should,” “could,” “can,” “intend,” “expect,” “believe,” “estimate,” “predict,” “potential,” “plan,” “is designed to” or similar expressions suggesting future outcomes or the negative thereof or similar variations. Forward-looking statements may include, among other things, statements about: our expectations regarding our expenses, sales and operations; our future customer concentration; our anticipated cash needs and our estimates regarding our capital requirements and our need for additional financing; our ability to anticipate the future needs of our customers; our plans for future products and enhancements of existing products; our future growth strategy and growth rate; our future intellectual property; and our anticipated trends and challenges in the markets in which we operate. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which POSaBIT will operate in the future, including the demand for our products, anticipated costs and ability to achieve goals. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, you should not unduly rely on these forward-looking statements

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements, including but not limited to, business, economic and capital market conditions; the ability to manage our operating expenses, which may adversely affect our financial condition; our ability to remain competitive as other better financed competitors develop and release competitive products; regulatory uncertainties; market conditions and the demand and pricing for our products; our relationships with our customers, distributors and business partners; our ability to successfully define, design and release new products in a timely manner that meet our customers' needs; our ability to attract, retain and motivate qualified personnel; competition in our industry; our ability to maintain technological leadership; our ability to manage risks inherent in foreign operations; the impact of technology changes on our products and industry; our failure to develop new and innovative products; our ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of intellectual property litigation that could materially and adversely affect our business; our ability to manage working capital; and our dependence on key personnel. POSaBIT is an early stage company with a short operating history; it may not achieve profitability; and it may not actually achieve its plans, projections, or expectations.

Important factors that could cause actual results to differ materially from POSaBIT's expectations include consumer sentiment towards POSaBIT's products and blockchain/cryptocurrency exchange technology generally, litigation, global economic climate, loss of key employees and consultants, additional funding requirements, changes in laws, technology failures, competition, and failure of counterparties to perform their contractual obligations.

Neither we nor any of our representatives make any representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of the information in this news release. Neither we nor any of our representatives shall have any liability whatsoever, under contract, tort, trust or otherwise resulting from the use of the information in this news release or for omissions from the information in this news release.

ABOUT POSABIT

POSaBIT (CSE: PBIT) is a financial technology company that delivers unique and innovative, blockchain-enabled payment processing and point-of-sale systems for cash-only businesses. POSaBIT specializes in resolving pain points for complex, high-risk, emerging industries like cannabis with an all-in-one solution that is compliant, user-friendly and utilizes top-of-the-line hardware. POSaBIT's unique solution provides a safer and transparent environment for merchants while creating a better overall experience for the consumer. For additional information, visit: www.posabit.com.

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