

POSaBIT Reports Third Quarter 2021 Financial Results

Delivers Record Revenue of \$6.3 Million, up 173%

Increases Guidance for Full Year 2021 Revenue to \$19.0 to \$20.5 Million

Announces 2022 Full Year Revenue Guidance of \$36 to \$39.5 Million

TORONTO & SEATTLE--(BUSINESS WIRE)--November 30, 2021--POSaBIT Systems Corporation (CSE:PBIT, OTC:POSaF), the leading provider of payments infrastructure in the cannabis industry, today announced its financial results for the three months ended September 30, 2021.

“Our momentum continued in the third quarter with record high revenue of \$6.3 million, which was up 173% year-over-year and 29% sequentially,” said Ryan Hamlin, CEO and Co-founder of POSaBIT. “Based on this strong performance and our visibility into year end, we are once again raising our guidance for full year 2021 revenue to a range of \$19 million to \$20.5 million. At the mid-point, this represents an expectation for full-year 2021 growth of more than 158% and will continue our track record of doubling revenue every year since 2017.”

Hamlin continued, “We are very confident high growth will continue, and remain on track to double head count to meet accelerated demand in the market. We also continue to invest in new product offerings, such as ‘POSaBIT Kiosk,’ and ‘POSaBIT Cash Advance’ that complement our best-in-class payments and point of sale offering and are partnering with industry leaders to increase digital payment penetration and enter new markets. We now have an established presence in 15 states in the U.S. and are pursuing expansion opportunities in several more. Existing store locations are also a key growth lever for our business as retailers grow their own businesses and customers increasingly embrace cashless payment alternatives. Considering our record backlog, coupled with a rapidly growing cannabis market and multiple growth levers in our business reinforces our optimism for continued rapid growth in the fourth quarter and new year ahead.”

Third Quarter 2021 Financial Highlights

- Transactional sales volume for Card Services totaled \$106 million, up 151% compared with \$42.2 million in the third quarter of 2020.
- Total revenue was \$6.3 million, up 173% compared with \$2.3 million in the third quarter of 2020. Revenue growth was driven by merchant same store sale growth, increased customer penetration and onboarding of new merchants.
- Gross profit, inclusive of one-time adjustments of \$(211) thousand, increased 148% year over year to \$1.429 million, or 22% of revenue, compared with \$576 thousand, or 25% of revenue in the third quarter of 2020. After adjusting for one-time items, Gross Profit would have been \$1.640 million, or 25% of revenue. Gross margins were negatively impacted by one-time promotional pricing incentives in Q3. Gross profit for the nine months ended September 30, 2021, was \$4.28 million, or 29% of revenue, after adjusting for one-time items, gross profit would have been \$4.49 million, or 30% of revenue.

- Net loss of \$(6.9) million is primarily attributable to the accounting treatment of the outstanding warrants. This resulted in the Company recognizing a non-cash expense of \$(7.8) million due to the strong share price performance during the quarter. This compared to a net loss of \$(100) thousand in the third quarter of 2020.

Adjusted EBITDA, inclusive of a one-time adjustments of \$(211) thousand was \$(509) thousand compared with \$(43) thousand in the third quarter of 2020. After adjusting for one-time items, Adjusted EBITDA would have been \$(298) thousand. After a full strategic review, the company has determined there is more shareholder value to be created by reinvesting its profits in the business to grow market share.

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 September 30, 2021, the company had cash of approximately \$5.5 million compared to approximately \$1.0 million as of December 31, 2020. This increase was partially driven by approximately \$3.6 million of cash received from the exercise of 18,201,410 outstanding warrants during the period. As of September 30, 2021, the Company had basic shares outstanding of 131,812,382 and fully diluted shares outstanding of 154,170,789.

Recent Operational Highlights

- Largest backlog ever of new merchants who will onboard during the fourth quarter, setting up strong transactional sales growth for the foreseeable future
- Accelerated hiring to take advantage of cannabis market acceleration, increased headcount by 65%
- Expanded our merchant base, adding several large MSOs (Multi-State Operators) that are currently in onboarding
- Established partnerships with multiple integration partners to support customer loyalty reward programs for merchants
- Established trading of the company's common stock on the OTCQB Venture Market
- Entered New Mexico market, the Company now has active merchants in 15 states
- Launched "POSaBIT Connect," the Company's open API that allows 3rd party integrations to gain access to the ever-expanding POSaBIT product suite
- Launched POSaBIT Kiosk, a standalone hardware option for merchants that enhances the customer experience while lowering merchant operating costs and integrating POSaBIT's payment offering

Financial Results

in US Dollars

	Three months ended			Nine months ended		
	Sept. 30, 2021	Sept. 30, 2020	Change	Sept. 30, 2021	Sept. 30, 2020	Change
Revenue	6,364,107	2,329,878	+173%	14,868,252	4,765,132	+212%
Cost of goods sold	4,935,039	1,754,779	+181%	10,591,899	3,826,810	+177%
Gross profit	1,429,068	575,099	+148%	4,276,353	938,322	+356%
<i>Gross profit margin</i>	22%	25%	-10 %	29%	20%	+46%
Operating costs	311,569	643,104	-52%	3,084,018	1,843,478	+67%
Operating gain (loss)	1,117,499	(68,005)	+1,743%	1,192,335	(905,156)	+232%
Other expenses (income)	(8,020,940)	32,470	-24,603%	(9,488,091)	(16,134)	+59,000%
Loss before discontinued operations	(6,903,441)	(100,475)	-6,771%	(8,295,756)	(889,022)	-833%
Loss from discontinued operations	--	--	--	--	(246,503)	--
Net loss	(6,903,441)	(100,475)	-6,771%	(8,925,756)	(1,135,525)	+631%

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

	Three months ended		
	Sept. 30, 2021	Sept. 30, 2020	June 30, 2021
Loss from continuing operations, as reported	(6,903,441)	(100,476)	(878,232)
Add back: share based compensation, as reported	276,766	21,376	139,828
Add back/(deduct): change in fair value financial instrument, as report	(424)	(199)	1,843
Add back: change in expected credit loss, as reported	5,725	12,551	7,406
Add back: depreciation and amortization, as reported	60,603	86,555	53,094
Add back: fair value of derivative instrument, as reported	7,856,498	-	1,038,498
Add back: disposal of assets, as reported	-	733	-
Deduct gain on disposal of discounted operations, as reported	112,500	-	-
Add back (deduct) finance costs, as reported	(23,487)	(18,148)	29,464
(Deduct) / add back foreign exchange (gains) / losses	(1,893,525)	(44,974)	(206,858)
Adjusted EBITDA	(508,785)	(42,882)	185,043

POSaBIT did see negative Adjusted EBITDA for the quarter ended September 30, 2021, which was expected given the investment made in additional resources to support our rapid growth

2021 Outlook

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

	Revised Guidance	Prior Guidance
	(as of Nov. 30, 2021)	(as of July 22, 2021)
Total Revenue	\$19.0M - \$20.5M	\$17.5M - \$19.0M
Transaction sales for card services	Unchanged	\$350M - \$375M
Gross Profit Margin	Unchanged	28% - 32%

2022 Outlook

The Company provides the following initial guidance for the full year 2022. Previously the Company had issued guidance with its fourth quarter earnings report. However, since the company, as a Canadian filer, historically has reported fourth quarter later than most U.S. reporting companies, it wishes to provide an initial outlook here with its Q3 2021 report.

	Guidance
	(as of Nov 30, 2021)
Total Revenue	\$36.0 M - \$39.5M

Conference Call Information

Date: November 30, 2021

Time: 4:30pm Eastern Time

Toll-Free: 888-506-0062

International: 973-528-0011

Entry Code: 651923

Live Webcast: <https://www.webcaster4.com/Webcast/Page/2708/43450>

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: 43450

Replay Webcast: <https://www.webcaster4.com/Webcast/Page/2708/43450>

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.

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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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