

## PUDO Update to Shareholders

Strategic partnerships are delivering both scale and opportunity, with a 66% increase in partner parcel volume in Q4 year over year.

Dear Shareholders:

As we welcome spring and look back on winter we are pleased to highlight progress related to previously disclosed contracts and partnerships.

Our vision of a new and expansive logistics Network that resolves last-mile gridlock by reducing or eliminating its three primary causes: nobody home to accept delivery, unattended parcel theft, and unsustainable returns logistics, is gaining traction. We are confident that redoubled efforts fueled by expansion financing can drive us to the tipping point that our team has worked so diligently to realize.

Major players from all sectors of e-commerce — marketplaces, major carriers, SaaS providers, and chain retailers — are indicating interest in the unique service offerings enabled by our integrated Network. These conversations are being advanced with discussions considering feasibility, regional testing, and IT integration options. Any of these partners have the ability to advance our business plan significantly. As we evolve and formalize these potential partnerships, we will report expectations and details. In the interim, it is my pleasure to update you as follows:

### Q4 was a quarter of positive growth

- Overall, our parcel volume grew almost 13% during Q4 measured year over year, most particularly in our expansion area of partner shipments within the PUDO Network, which saw an impressive increase of 66% year over year.
- The increase in partner parcel volumes can be traced back two quarters, when we started to realize the potential of the investments we had made in partner driven Network optimization, new IT integrations and regional roll-outs of logistics programs, all efficiently supporting contracted partner parcel deliveries and returns.
- The 13% cumulative average gain for Q4 was tempered by a 22% decline year over year in member parcel volumes. This decline is largely seen in the Kinek border point network. The weaker Canadian dollar continues to impact the number of e-commerce parcels Canadian consumers direct to KinekPoints along the Canada-USA border for pick-up.
- Shipment volumes in this category have historically risen and fallen relative to the value of Canadian currency. Kinek continues to see new members signing up each week to use this service, but growth remains organic. The Company has concentrated 100% of its growth and expansion efforts on increasing partner volumes and revenues within an expanding PUDO Network; increases that should continue to grow exponentially on the overall growth of e-commerce in North America and globally.

### Comparing sequential quarters, year to year

- As is typical in Q4 which runs from December 1st through February 28th, we see a quarter to quarter decrease in parcel volumes tied to the global decrease in post-holiday e-commerce volumes.

- 📍 Q3 to Q4 partner parcel volumes were down less than 10% this year – similar to last year - though on increased parcel volumes overall, which was positive.
- 📍 Q3 to Q4 member parcel volumes were down 6%. This decrease was greater than during the same period last year, following the fortunes of the Canadian dollar. See above.

#### **Operational success delivered many happy returns in Q4**

- 📍 PUDOpoints are now receiving and processing pre-labelled return parcels with partners, for select retailers. A rudimentary IT integration with the first returns SaaS partner enabled PUDO to begin processing returns. This experience has proven invaluable for our team, our PUDOpoints, and our cross dock partners.
- 📍 Work is underway to add enhancements to these interfaces, before expanding the scope to increase volumes with other retailers.
- 📍 At the same time, we continue to focus on integrating additional SaaS partners to facilitate growth within the returns logistics vertical. There is tremendous potential in this area within our existing Canadian PUDOpoint Network (and even more potential with US expansion). Existing and potential partners who have analyzed parcel information for their own customers have determined that we have active PUDOpoints in the same postal code area as more than 50% of those customers, and further, that activating currently registered (but not yet active) PUDOpoint locations increases this advantage to more than 80% coverage.
- 📍 This is a key focus area in PUDO's short and medium term operational plans. PUDO can offer tremendous value to our retail/SaaS partners in what is a large market. There is significant parcel volume and revenue potential to warrant this continued focus.
- 📍 Proving and fortifying our returns logistics capabilities and Network within Canada with our international partners is critical to seamless expansion into the US, as these same partners manage between five and 20 times more volume south of the border.

#### **Forward momentum**

- 📍 As part of our initiatives with all partners, we continue to focus on Network optimization. Activating new PUDOpoint locations and strategically re-routing traffic within the existing Network relates to our partners' needs and capabilities. This ongoing effort continues to grow PUDOpoint utilization.
- 📍 One of our major logistics partners is building on our successes to date by revising their route structure to double their residential delivery capacity in major markets nation-wide; eliminating failed first delivery attempts, and unattended parcel thefts entirely. This synergy is steering Network growth, which is in turn adding additional addressable market for PUDO services.
- 📍 Courier partners are increasing their utilization of PUDOpoints and injection points for their customers. More than 100 pre-labeled parcels a week are being dropped at PUDOpoints to be



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collected for onwards delivery. This is just one of the many 'drop off' scenarios that we continue to build with our partners.

- 📍 We continue expanding our PUDOpoint Network in tandem with our partners, by activating targeted new counter locations as needed; providing instant volume and foot traffic for operators, efficiencies and cost-savings for our partners, and revenues and volume for the Company. This expansion has been slowed down as we integrated new and improved IT capabilities with our partners, while they completed other pre-requisites to prepare for additional volume. We remain confident that, with modest additions to the PUDOpoint Network, we will realize significant additional volume and revenue from existing partners.
- 📍 We have a joint project scheduled to roll-out over the course of five months in major markets across Canada, starting in May, which we expect will deliver a marked increase in parcel volumes. This increase however, is largely dependent on the logistics partner's ability to deploy sufficient staff and technology to coordinate and manage transitional parcel volumes.

### **Expansion Financing**

- 📍 Financing efforts continue to be a priority. The Company is engaged in discussions with several interested parties, and we hope to be able to make a funding-related announcement soon.

As has been evidenced in my past few updates, our growth plan has followed an exponential model, where key multipliers integrated PUDO technology and our Network; thereby expanding our reach and volume across all verticals.

Initially, this was a rather complex idea to communicate to audiences outside of the logistics sector but I believe that the small but significant advances, we have made these past two quarters in particular, have illustrated our concept very well, and further illustrate our potential moving forward.

I believe that securing expansion funding can help us move quickly toward a tipping point, where exponential growth will be swift and compelling, allowing us to fulfill our goal of becoming the largest carrier-neutral logistics and associated commerce counter Network in North America. I also believe that there are opportunities available within an agnostic Network that do not yet exist, but are beyond imagination in their potential.

Thank you for your continued commitment and confidence in PUDO. I look forward to sharing more updates with you soon.

Sincerely,

Kurtis Arnold  
CEO  
PUDO Inc.  
[kurtis.arnold@pudopoint.com](mailto:kurtis.arnold@pudopoint.com)



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## About PUDO

PUDO Inc. is developing North America's only carrier-neutral parcel pick-up/drop-off technology and logistics network, as a means of solving the last-mile parcel-traffic-control gridlock that is crippling the \$550B e-commerce sector. E-commerce is faced with unprecedented cost control issues, based on disproportionately high last-mile delivery costs relating to undeliverable parcels, and parcels returning for refund or exchange. As labour and fuel costs increase in tandem with parcel traffic and volume, the problem worsens.

PUDO's team of logistics and parcel traffic management experts have created a market intelligence and trends driven solution comprising carrier-neutral plug-and-play technology for desktop and mobile, plus a strategically located network of parcel pick-up and drop-off PUDOpoints for pay-as-you-go use by all players within the e-commerce ecosystem.

Adopting PUDO technology shortens the last mile for the behemoths of e-commerce — fulfillment and distribution centers representing thousands of retailers and millions of consumers — by instantly extending their parcel staging and consolidation network and providing secure 'near end of the line' storage for the 30% of e-commerce parcels that are undeliverable on first attempt. PUDO's technology and network virtually eliminate costs associated with second-attempt deliveries, un-attended parcel theft and spoilage, and mismanaged reverse logistics on returns, and provides carriers, retailers, and consumers with badly needed cost controls, choice, and convenience.

PUDO was founded in 2015 and was recently named one of the Top 20 most innovative public technology companies by the Canadian Innovation Exchange. After two years of industry and market research, and successful beta testing the technology and PUDOpoint geography and protocols with major logistics stakeholders, PUDO is ready to activate its network through strategic partnerships. Activation will enable all stakeholders within the network to access and control scalable, fluid, strategic consolidation in real time when and where needed, to lower costs and satisfy customer expectations.

For more information, please visit [www.pudoinc.com](http://www.pudoinc.com) or [www.pudopoint.com](http://www.pudopoint.com).

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*The forward-looking statements contained in this letter are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by law.*



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For additional information about PUDO, please contact: Karen Speight, at 1-506-694-1250, [karen.speight@pudopoint.com](mailto:karen.speight@pudopoint.com).