



PUDO Inc. Announces 2019 Full Year Results and Outlook

- Revenue up 19.7% to \$0.8 million this year compared to the prior fiscal year
- Net loss increased by \$1.2 million to \$3.4 million relative to prior fiscal year, primarily due to non-cash share-based compensation expense
- Parcel volume up 10.7% in comparison to the prior fiscal year

TORONTO, June 20, 2019 - PUDO Inc. (“PUDO” or the “Company”) (CSE: PDO; OCTQB: PDPTF), North America’s only carrier neutral parcel pick-up and drop-off network (the “Network”), filed today audited financial results and operational highlights for the Fiscal 2019 year ended February 28, 2019 (“FY 2019”).

Financial Results Summary

For the year ended February 28,	2019	2018
Revenue	\$ 832,885	\$ 694,960
Cost of sales	(270,830)	(189,819)
Gross profit	562,055	506,141
Administrative expenses	(2,231,615)	(1,867,704)
Share-based compensation*	(1,679,973)	(777,139)
Operating loss	(3,349,533)	(2,138,702)
Finance costs	(38,286)	(23,068)
Net loss and comprehensive loss for the period	\$ (3,397,819)	\$ (2,161,770)
Loss per share basic and diluted	\$ (0.18)	\$ (0.12)

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

The Company’s revenues increased by approximately \$0.1 million to \$0.8 million in FY 2019 relative to the previous year representing a 19.7% increase, owing primarily to a significant increase in Failed First Attempt parcel volume offset by decreased member shipments. The Company realized an increased net loss of \$1.2 million to \$3.4 million relative to the previous year, of which \$0.9 million was due to non-cash share-based compensation expense and \$0.3 million in additional administrative costs.

Gross profit of \$0.6 million for the year ended February 28, 2019 increased \$0.06 million relative to the prior year representing an 11.0% increase. As a percentage of revenue, the gross profit in FY 2019 decreased to 67.5%, down from 72.7% in the prior year. This is due to the increased distribution of lower margin shipments in the year ended February 28, 2019.

The Company’s net loss was \$3.4 million for the year ended February 28, 2019, with basic and diluted loss per share of \$0.18. This compares with a net loss of \$2.2 million with basic and diluted loss per share of \$0.12 for the year ended February 28, 2018 (“FY 2018”).

The Company had administrative expenses of \$2.2 million during the year ended February 28, 2019 compared to \$1.9 million the prior year representing a 19.4% increase. The increase was primarily a result of increases in salaries and benefits compared with the prior year. The Company incurred \$1.7 million in non-cash share-based compensation during the year ended February 28, 2019 in comparison with \$0.8 million during the year ended February 28, 2018.



“This year was an incredibly busy one for our entire team,” says PUDO CEO Kurtis Arnold. “The explosive growth of e-commerce in North America and globally — 14.2% and 18% respectively in 2018, according to the US Department of Commerce — kept us on our toes while the ground beneath us shifted quickly and continuously. Every PUDO department and undertaking required constant refinement and course-correction to suit the many physical and technological changes and evolutions that took place in the e-commerce marketplace. Major players created ever more last-mile gridlock as they changed and grew their sales by double digits. While this front-end chaos does indeed enable our own Network expansion and success, the funding-dependent road to getting there presents challenges and unanticipated delays.”

Operational Highlights

Parcel volume and other factors within the e-commerce ecosystem can affect PUDO’s goals and performance during its growth phase.

While the Company continued to strategically manage the growth and development of the PUDO Network throughout FY 2019, overall average parcel volume increased by 10.7% of the parcel volume processed during FY 2018. Parcel volumes for the Company during Q4 FY 2019 increased by 12.9% of the average quarterly parcel volume in Q4 FY 2018. In FY 2019, parcel volumes from courier partners rose to 51% of the Company’s total volumes, up from 41% in the prior fiscal year. Similarly, the parcel volumes from consumer members dropped to 49% in FY 2019 from 59% in FY 2018.

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

- 📍 **Failed First Attempts (“FFA”) Parcels:** During FY 2019 total FFA parcel volume increased by 36.6% over FY 2018, while during Q4 FY 2019 FFA parcel volume increased a significant 63.1% as compared to FFA volume in Q4 FY 2018. In sequential quarters, parcel volumes in Q4 FY 2019 compared to Q3 FY 2019 decreased by 10.4%. This compares to a parcel decrease of 7.9% in the prior year between Q4 and Q3 FY 2018. This decrease during these sequential quarters is expected as PUDO’s third quarter is its peak period due to holiday.
- 📍 **Member Shipments:** During FY 2019 total consumer parcel volume decreased by 8.2% over FY 2018, while during Q4 FY 2019 consumer parcel volume decreased by 22.2% as compared to consumer volume in Q4 FY 2018. In sequential quarters, parcel volumes in Q4 FY 2019 compared to Q3 FY 2019 decreased by 5.8%. This compares to a parcel decrease of 1.0% in the prior year between Q4 and Q3 FY 2018. This decrease is primarily due to the continued weakness of the Canadian dollar coupled with negative media coverage of border-crossing friction impacting Canadian consumers’ confidence with online ordering and shipping from the US.
- 📍 **Courier Pickup Parcels:** During FY 2019, PUDO continued to see growth within the courier pickup service with parcel volume close to five times that of FY 2018, although the volumes are relatively modest at this stage these parcels are an important benefit for partner couriers to access marketplace and other SOHO business shipping demand.
- 📍 **Returns Parcels:** During Q4 FY 2019 PUDO, began handling returns logistics from across Canada with a SaaS partner. Adding PUDOpoints to this retailer’s return choices allowed new convenient options to help consumers drop-off returns with minimal effort. The Network parcel PUDOpoints are located close to where people live, work and play, streamlining the returns process.

As PUDO realizes its growth plan, a greater number of stakeholder partners and consumer members will minimize parcel volume losses and reduce dependence on specific carriers.

Outlook



The market in Canada for PUDO's services is growing. Our customers have been awarded business because they have counter networks that manage the problems of failed deliveries for retailers. One of our partners is not only adding new delivery routes and PUDO locations in new markets to manage business from existing customers, but has also begun adding business from new large shippers that will ramp up in time to manage holiday shopping volumes.

The Company's updated returns capabilities due to investments in IT and lower pricing options due to economies of scale have appealed to several large shippers that are in discussions with the Company. These opportunities serve to accelerate PUDO's objectives to reach cash-flow positive operations in Canada while growing the Network to be closer to Canadian consumers.

The US market remains of interest to PUDO and discussions are advancing to obtain the resources for meaningful expansion in that market. Consumer demands are evolving, and our existing partners in the US are updating their IT integration to take advantage of better consumer communications capabilities PUDO has added in the previous year. IT integration routinely takes longer to accomplish, and in these cases, our partners are the parties responsible for making such changes. We remain in routine contact with them and with trend setting shippers in the US. We are eagerly looking forward to launching additional services in select markets within the footprints of our partner couriers.

"The sky really is the limit for developing the PUDO Network as we conceive it from deep inside the world of logistics. The retail model has changed drastically, and as industry analysts say, *there is no going back to old logistics*. PUDO is the future, we are the new logistics. To that end, we continue discussions with potential and strategic investors who can help us meet our potential as well as our goals, and become part of the team who creates the largest carrier-neutral counter Network in North America, enabling seamless integration with e-commerce in Europe and overseas. We alone are uniquely positioned to complete the Network, and we remain committed to securing expansion financing."

A complete copy of the audited financial statements and the Management's Discussion and Analysis Report for the year ended February 28, 2019, can be found on the CSE website at www.thecse.com and on SEDAR at www.sedar.com.

About PUDO Inc.

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 courier-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, Unattended parcel theft and spoilage, and mismanaged reverse logistics on returns, and provides couriers, retailers, and consumers with badly needed cost controls, choice, and convenience.



PUDO was founded in 2015 and was named one of the top 20 most innovative public technology companies by the Canadian Innovation Exchange the same year. 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 activating 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.pudopoint.com or www.pudoinc.com.

Information in this press release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws, such as statements regarding estimated revenues from new contracts, increased parcel volume, activation and implementation of PUDO's technology and possible future expansions of PUDO's operations. This information is based on current expectations and assumptions of management, including assumptions concerning PUDO's ability to integrate its new customers into its network and successfully execute on its new and existing contracts. The use of any of the words "anticipate", "believe", "expect", "plan", "intend", "can", "will", "should", and similar expressions are intended to identify forward-looking statements. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Risks, uncertainties, and other factors involved with forward-looking information could cause actual events, results, performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking information. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. Factors that could cause actual results to differ materially from such forward-looking information include, without limitation, uncertainties with respect to service implementation, the economic results of the relationship on the operations of the Company, changes in general economic, market, or business conditions, and those risks set out in the Company's public documents filed on SEDAR. This press release, in particular the information in respect of estimated revenues, may contain future-oriented financial information or financial outlook within the meaning of applicable securities laws. Such future-oriented financial information or financial outlook has been prepared for the purpose of providing information about management's reasonable expectations as to the anticipated results of its proposed business activities. Readers are cautioned that reliance on such information may not be appropriate for other purposes.

The forward-looking statements contained in this press release 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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