



PUDO Inc. Reports FY 2019 Second Quarter End Results and Outlook

TORONTO, October 1, 2018 - PUDO Inc. ("PUDO" or "the Company") (CSE: PDO; OCTQB: PDPTF), North America's only courier neutral parcel pick-up and drop-off network, filed today unaudited interim financial results and operational highlights for the second quarter which ended August 31, 2018.

Financial Results Summary

During the three month period ended August 31, 2018, the Company reported a net loss of \$1,443,289 (\$0.07 basic and diluted loss per share), an increase from a net loss of \$464,736 (\$0.03 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. This increase is primarily a result of increased administrative expenses and share-based compensation, partially offset by increased revenues and gross profit.

The net loss for the six months ended August 31, 2018 was \$1,887,284 (\$0.10 basic and diluted loss per share), up from a net loss of \$715,297 (\$0.04 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. This increase relates primarily to increased administrative expenses and share-based compensation, partially offset by increased revenues and gross profit.

Revenue for the three month period ended August 31, 2018, was \$178,285 (August 31, 2017 -- \$165,894) representing a 7.5% increase over the same period last year. Gross profit for the three month period ended August 31, 2018 was \$125,086 (August 31, 2017 -- \$122,455). These increases were due to increased parcel volume and a modest price increase implemented March 1, 2018.

Revenue for the six months ended August 31, 2018 was \$365,549 (August 31, 2017 -- \$342,422), representing a 6.7% increase over the same period last year. Gross profit for the six months ended August 31, 2018 was \$262,503 (August 31, 2017 -- \$250,458). These increases due to increased parcel volume and a modest price increase implemented March 1, 2018.

Administrative expenses for the three and six month periods ended August 31, 2018 were \$526,841 and \$1,076,408 (August 31, 2017 - \$486,335 and \$858,711), respectively, representing an increase relative to the corresponding periods in the prior fiscal year. These cost increases relate primarily to the impact of additional full-time management hired last year and additional customer support employees hired this year.

Share-based compensation for the three and six month periods ended August 31, 2018 was \$1,036,819 and \$1,063,533 (August 31, 2017 - \$94,943 and \$94,943), respectively, representing an increase relative to the corresponding periods in the prior fiscal year. This was primarily related to the stock options issued in the latter part of the prior fiscal year.

During the six months ended August 31, 2018 cash decreased by \$85,374 due to \$630,720 cash used in operating activities (August 31, 2017 - \$585,510) and \$28,851 in equipment/software purchases (August 31, 2017 - \$14,502), partially offset by \$574,197 (August 31, 2017 - \$553,362) provided by financing activities including the exercise of warrants.



“During PUDO’s second quarter, our team has been focused on the final groundwork to begin seeing the flow of parcels from new customers that have been previously disclosed. Our expanded customer service team has been and continues to work with our PUDOpoint partners to update the software in use in locations and provide training on the new services PUDOpoints will offer consumers with respect to returns. The management team continues to pursue new parcel opportunities with existing and new customers.” said Kurtis Arnold, PUDO’s CEO.

Operational Highlights

“So far this year, PUDO’s parcel growth was primarily related to efforts in network optimization. PUDO has analyzed parcel data from existing as well as new customers. This has enabled PUDO to open PUDOpoint locations in areas where there are short term parcel opportunities. The result is new locations being added, and a smaller number of locations have had operations suspended until customers have a need for parcel hubs in those areas. PUDO is continuing our dialogue with new transportation partners to enable end-2-end logistics solutions for e-commerce companies while preserving the courier neutral systems that makes PUDO unique.” says Arnold.

During the six month period ended August 31, 2018 parcel volumes increased by 5.1% relative to the six month period ended August 31, 2017, due to activation of new PUDOpoints in strategic areas driven by the requirements of a significant PUDO customer. Compared to the first quarter, parcel volumes in Q2 FY2019 decreased 5.7%, due to the reduced volume of Kinek member shipments. This is associated with the general increasing strength of the US dollar as well as a period of negative media coverage that has cast uncertainty regarding border crossing processes and tariffs. This decrease was partially offset with increased parcel volume and other services across the Canadian PUDO network.

During this quarter, the Company invested in software enhancements for both its parcel control system, as well as PUDOpoint location software. These software enhancements enable the Company to add new services including staging parcels for 3rd party couriers, as well as the notifications and API capability to manage returns. These enhancements were necessary for these new partners to complete their integration with PUDO. These enhancements also improve the ability for PUDO to communicate with consumers and reduce the development work necessary for other new customers to complete integration.

The Company is pleased to report that PUDOpoint operators are seeing the benefits of micro-supported membership - both in increased foot traffic resulting in increased sales - and stronger organic growth is taking hold within the independent convenience store communities where PUDO is entrenched. Direct to PUDO business generated by unsolicited consignees and inquiries by potential PUDOpoints are growing steadily, which confirms PUDO is on the right track.

Outlook

During the second quarter of fiscal 2019, the Company announced strategic partnerships with global leaders in shipping and returns. The majority of new parcels supplied by these partners will flow inside of Canada where the Company already has an extensive network. Recent analysis with these partners has shown that PUDO’s current network, before further planned expansion, places a PUDOpoint within 3 km (2 mi) of 50% of Canadian consumers working with these companies, and within 5 km (3 mi) of



more than 75% of consumers. The natural evolution of successful relationships with PUDO's new partners can lead to additional service opportunities in more geographic areas across Canada and the US, resulting in millions more parcels in the PUDO network.

"We are eagerly anticipating the arrival of parcels into PUDO's network from these previously announced new customers in the coming weeks. Working with new partners and will be ready to add new services for them in the coming months." concludes Arnold.

A complete copy of the unaudited interim financial statements for the three and six month periods ended August 31, 2018, can be found on the Company's profile 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 courier-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, un-attended parcel theft and spoilage, and mis-managed 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 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.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 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 letter, 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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SOURCE PUDO Inc.