



PFSweb Reports First Quarter 2021 Results

May 7, 2021

- Record Bookings in LiveArea, Strong Growth in PFS Establish Solid Foundation for 2021 -

ALLEN, Texas, May 07, 2021 (GLOBE NEWSWIRE) -- PFSweb, Inc. (NASDAQ: PFSW), a global commerce services company, is reporting results for the first quarter ended March 31, 2021.

"We have carried our operational momentum into 2021 with a record bookings quarter for LiveArea and strong performance continuing in PFS," said Mike Willoughby, CEO of PFSweb. "Our high levels of execution across both business units allowed us to drive a 16% increase in service fee revenue year-over-year. Across our organization, we have worked to optimize our resources, further develop our strong pipeline, and stay committed to meeting our clients' evolving needs amid a dynamic retail environment. As eCommerce tailwinds persist, we expect the solid foundation we have built to fuel our continued progress."

Q1 2021 Highlights vs. Q1 2020

- Total revenues increased slightly to \$78.0 million.
- Service fee revenue increased 16% to \$62.8 million.
- Service fee gross margin was 31.1% compared to 36.1%.
- Net loss was \$2.4 million or \$(0.11) per share, compared to a net loss of \$0.2 million or \$(0.01) per share.
- Adjusted EBITDA (a non-GAAP measure defined and reconciled below) was \$3.1 million compared to \$4.0 million.

Willoughby continued: "In LiveArea, our sales bookings have recovered from the lows of the pandemic and now more fully reflect the benefits of our strategic investments in the business. We experienced some initial project delays and bookings softness last year due to COVID-19-related uncertainties, but have since continued generating strong demand as prospects began to ramp their digital capabilities in response to elevated eCommerce trends. Our high-performance sales team and leadership have worked tirelessly to build our pipeline and execute on the previously booked engagements that are starting to come online.

"Our PFS business continued to experience meaningful growth as compared to the prior year, driven primarily by strong fulfillment volumes in support of our clients' eCommerce activity. Bookings in PFS also accelerated during Q1, in which we generated our highest level of bookings since Q2 2019. While our margins remain pressured by COVID-19 safety measures and increased frontline labor rates, we are committed to protecting our team and serving as a flexible partner for our existing brands' fulfillment needs. We have quickly ramped operations in our newest fulfillment center in Las Vegas and we will continue working to optimize our capacity across our global distribution footprint. As a further extension of our successful holiday season, we have agreed to expand our deployment of RetailConnect for one of our clients from five stores to more than 30 by the end of Q2. Our operational agility will allow us to continue adapting to our clients' needs and fulfilling high customer order volumes, whether in-store or in our facilities.

"With momentum continuing in both business units, we remain on track to achieve our 2021 outlook, which includes targets for year-over-year service fee revenue growth within the 10-15% range for LiveArea and 5-10% range for PFS, as well as moderate adjusted EBITDA margin expansion. I am proud of how well we have performed in these first few months of 2021 and look forward to continuing our work into the rest of the year."

First Quarter 2021 Financial Results

Total revenues in the first quarter of 2021 increased slightly to \$78.0 million compared to \$76.7 million in the same period of 2020. Service fee revenue in the first quarter increased 16% to \$62.8 million compared to \$54.3 million in the same period of 2020, primarily driven by continued strength in PFS fulfillment activity. Service fee revenue for PFS increased by 27% to \$42.4 million as compared to the prior year, while LiveArea service fee revenue decreased by \$0.5 million to \$20.4 million. LiveArea service fee revenue in the first quarter of 2021 was impacted by softness in new and existing client bookings during the June 2020 and September 2020 quarters, primarily as a result of the COVID-19 pandemic causing client delays or cancellations of potential technology related projects. Significantly improved levels of client project and engagement bookings by LiveArea during the December 2020 and March 2021 quarters are expected to generate increased service fee revenue during the remainder of 2021 as these projects are implemented. Product revenue from the company's last remaining client under this legacy business model was \$4.3 million compared to \$7.5 million in the same period of 2020.

Service fee gross margin in the first quarter of 2021 was 31.1% compared to 36.1% in the same period of 2020. The decrease was primarily attributable to sustained changes in revenue mix, with the lower gross margin PFS segment generating an increased percentage of the overall service fee revenue, as well as increased fulfillment-related labor rates and sanitation costs during the quarter. Additionally, gross margin for the PFS segment continued to be impacted by reduced IT-related project, startup and technology-related activity. As a result, first quarter gross margin for PFS was at the lower end of the segment's typical 25% to 30% guidance range, while LiveArea's gross margin continued to be within the segment's typical 40% to 50% range.

Net loss in the first quarter of 2021 was \$2.4 million or \$(0.11) per share compared to a net loss of \$0.2 million or \$(0.01) per share in the same period of 2020.

Adjusted EBITDA in the first quarter of 2021 was \$3.1 million compared to \$4.0 million in the same period of 2020. PFS Adjusted EBITDA increased by \$0.5 million as a result of the increased PFS service fee revenue, which was partially offset by continued cost increases in the PFS segment due to fulfillment-related labor rates and sanitation costs, as well as reduced IT-related project, startup and technology-related activity. LiveArea Adjusted

EBITDA decreased by \$1.3 million as compared to the prior year as a result of reduced revenue and gross margin, as well as increased operating expense, including the impact of strategic investments in personnel to support the segment's service line expansion and growth. As a percentage of service fee revenue, adjusted EBITDA margin was 4.9% compared to 7.3% in the same period of 2020.

Non-GAAP net income (a non-GAAP measure defined and reconciled below) in the first quarter of 2021 was \$0.2 million compared to \$1.1 million in the same period of 2020.

At March 31, 2021, net debt (a non-GAAP measure defined and reconciled below as total debt, excluding operating lease liabilities, less cash and cash equivalents) improved to \$25.5 million compared to \$31.7 million at December 31, 2020.

Cash and cash equivalents at March 31, 2021 remained flat at \$10.8 million compared to December 31, 2020, and total debt improved to \$36.3 million compared to \$42.5 million at the end of last year.

2021 Outlook

With continued eCommerce demand strength driving elevated bookings and fulfillment activity in the company's PFS segment, as well as a record and expanding pipeline in LiveArea, PFSweb continues to expect to achieve 2021 LiveArea service fee revenue growth of 10% to 15% compared to 2020. For the PFS segment, the company still expects to generate 5% to 10% service fee revenue growth compared to 2020. In line with its consistent focus on cost management, PFSweb also expects moderate consolidated adjusted EBITDA margin expansion in 2021 when compared to the prior year.

Conference Call

PFSweb will conduct a conference call today at 8:30 a.m. Eastern time to discuss its results for the first quarter ended March 31, 2021.

PFSweb management will host the conference call, followed by a question and answer period.

Date: Friday, May 7, 2021

Time: 8:30 a.m. Eastern time (5:30 a.m. Pacific time)

Toll-free dial-in number: (866) 220-4153

International dial-in number: (864) 663-5228

Conference ID: 8674555

Please call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Gateway Investor Relations at 1-949-574-3860.

The conference call will be broadcast live and available for replay [here](#) and via the investor relations section of the company's website at www.pfsweb.com.

A replay of the conference call will be available after 11:30 a.m. Eastern time on the same day through May 21, 2021.

Toll-free replay number: (855) 859-2056

International replay number: (404) 537-3406

Replay ID: 8674555

About PFSweb, Inc.

PFSweb (NASDAQ: PFSW) is a global commerce services company that manages the online customer shopping experience on behalf of major branded manufacturers and retailers. Across two business units – **LiveArea** for data-driven marketing and omnichannel experience design through technology selection, platform implementation and orchestrated services, and **PFS** for order fulfillment, contact center, payment processing/fraud management, and order management services – they provide solutions to a broad range of Fortune 500[®] companies and household brand names such as Procter & Gamble, L'Oréal USA, Champion, Pandora, Ralph Lauren, Shiseido Americas, the United States Mint, and many more. PFSweb enables these brands to provide a more convenient and brand-centric online shopping experience through both traditional and online business channels. The company is headquartered in Allen, TX with additional locations around the globe. For more information, visit www.pfsweb.com.

Non-GAAP Financial Measures

This news release contains certain non-GAAP measures, including non-GAAP net income (loss), net debt, earnings before interest, income taxes, depreciation and amortization (EBITDA), adjusted EBITDA and service fee equivalent revenue.

Non-GAAP net income (loss) represents net income (loss) calculated in accordance with U.S. GAAP as adjusted for the impact of non-cash stock-based compensation expense, acquisition-related, restructuring and other costs (including certain client related bankruptcy costs), amortization of acquisition-related intangible assets and deferred tax expense for goodwill amortization.

EBITDA represents earnings (or losses) before interest, income taxes, depreciation, and amortization. Adjusted EBITDA further eliminates the effect of stock-based compensation, as well as acquisition-related, restructuring, and other costs (including certain client related bankruptcy costs).

Non-GAAP net income (loss), EBITDA, adjusted EBITDA and service fee equivalent revenue are used by management, analysts, investors and other interested parties in evaluating our operating performance compared to that of other companies in our industry. The calculation of non-GAAP net income (loss) eliminates the effect of stock-based compensation, acquisition-related, restructuring and other costs (including certain client related bankruptcy costs), amortization of acquisition-related intangible assets, and deferred tax expense for goodwill amortization, and EBITDA and adjusted EBITDA further eliminate the effect of financing, remaining income taxes and the accounting effects of capital spending, which items may vary from different companies for reasons unrelated to overall operating performance. Service fee equivalent revenue allows client contracts with similar operational support models but different financial models to be combined as if all contracts were being operated on a service fee revenue basis.

Net debt represents total debt, excluding operating lease liabilities, less cash and cash equivalents.

PFSweb believes these non-GAAP measures provide useful information to both management and investors by focusing on certain operational metrics and excluding certain expenses in order to present its core operating performance and results. These measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for, or superior to, GAAP results. The non-GAAP measures included in this press release have been reconciled to the GAAP results in the attached tables.

Forward-Looking Statements

The matters discussed herein consist of forward-looking information under the Private Securities Litigation Reform Act of 1995 and is subject to and involves risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. You can identify these forward-looking statements by words such as “may,” “will,” “would,” “should,” “could,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “potential,” “project,” “seek,” “strive,” “predict,” “continue,” “target,” and “estimate” and other similar expressions. These forward-looking statements involve risks and uncertainties and may include assumptions as to how we may perform in the future, including the impact of the COVID-19 pandemic on our business, results of operations and global economic conditions. Although we believe the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee these expectations will actually be achieved. PFS’ Annual Report on Form 10-K, as amended, for the year ended December 31, 2020 and any subsequent amendments or quarterly reports on Form 10-Q identify certain factors that could cause actual results to differ materially from those projected in any forward looking statements made and investors are advised to review the periodic reports of the company and the Risk Factors described therein. PFS undertakes no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur in the future. There may be additional risks that we do not currently view as material or that are not presently known.

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PFSweb, Inc. and Subsidiaries Condensed Consolidated Balance Sheets (In Thousands, Except Share Data)

	(Unaudited) March 31, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,844	\$ 10,751
Restricted cash	214	214
Accounts receivable, net of allowance for doubtful accounts of \$1,352 and \$1,465 at March 31, 2021 and December 31, 2020, respectively	58,627	80,778
Related party receivable	1,012	730
Inventories, net of reserves of \$94 and \$96 at March 31, 2021 and December 31, 2020, respectively	3,889	3,644
Other receivables	3,519	3,758
Prepaid expenses and other current assets	10,087	8,694
Total current assets	<u>88,192</u>	<u>108,569</u>
Property and equipment, net	18,541	19,178
Operating lease right-of-use assets, net	40,900	34,982
Identifiable intangibles, net	594	665
Goodwill	45,677	45,615
Other assets	4,186	4,152
Total assets	<u>\$ 198,090</u>	<u>\$ 213,161</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$ 27,574	\$ 35,648
Accrued expenses	26,072	30,881
Current portion of operating lease liabilities	10,064	9,487
Current portion of long-term debt and capital lease obligations	3,138	3,414
Deferred revenues	4,690	5,115
Total current liabilities	<u>71,538</u>	<u>84,545</u>

Long-term debt and capital lease obligations, less current portion	33,166	39,073
Deferred revenue, less current portion	1,366	1,341
Operating lease liabilities	35,745	30,553
Other liabilities	5,417	5,286
Total liabilities	<u>147,232</u>	<u>160,798</u>

COMMITMENTS AND CONTINGENCIES

Shareholders' equity:

Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued or outstanding	-	-
Common stock, \$0.001 par value; 35,000,000 shares authorized; 20,482,974 and 20,408,558 issued at March 31, 2021 and December 31, 2020, respectively; and 20,449,507 and 20,375,091 outstanding at March 31, 2021 and December 31, 2020, respectively	20	20
Additional paid-in capital	169,474	168,244
Accumulated deficit	(117,827)	(115,447)
Accumulated other comprehensive income	(684)	(329)
Treasury stock at cost, 33,467 shares	(125)	(125)
Total shareholders' equity	<u>50,858</u>	<u>52,363</u>
Total liabilities and shareholders' equity	\$ 198,090	\$ 213,161

PFSweb, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Operations
(In Thousands, Except Per Share Data)

	Three Months Ended	
	March 31,	
	2021	2020
Revenues:		
Service fee revenue	\$ 62,786 (1)	\$ 54,298
Product revenue, net	4,308	7,533
Pass-through revenue	10,876	14,868
Total revenues	<u>77,970</u>	<u>76,699</u>
Costs of revenues:		
Cost of service fee revenue	43,244	34,716
Cost of product revenue	4,086	7,123
Cost of pass-through revenue	10,876	14,868
Total costs of revenues	<u>58,206</u>	<u>56,707</u>
Gross profit	19,764	19,992
Selling, general, and administrative expenses	21,303	19,369
Income (loss) from operations	(1,539)	623
Interest expense, net	376	415
Income (loss) before income taxes	(1,915)	208
Income tax expense, net	465	439
Net loss	(2,380)	(231)
Non-GAAP net income (loss)	<u>\$ 226</u>	<u>\$ 1,076</u>
Net loss per share		
Basic	\$ (0.11)	\$ (0.01)
Diluted	<u>\$ (0.11)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding:		
Basic	21,274	<u>19,679</u>
Diluted	<u>21,274</u>	<u>19,679</u>
EBITDA	\$ 677	\$ 2,908
Adjusted EBITDA	\$ 3,082	\$ 3,959

(1) Includes \$0.5 million of related party service fee revenue for the three months ended March 31, 2021.

PFSweb, Inc. and Subsidiaries
 Unaudited Reconciliation of Certain Non-GAAP Items to GAAP
 (In Thousands)

	Three Months Ended March 31,	
	2021	2020
Net loss	\$ (2,380)	\$ (231)
Income tax expense (benefit), net	465	439
Interest expense, net	376	415
Depreciation and amortization	2,216	2,285
EBITDA	677	2,908
Stock-based compensation	853	545
Acquisition-related, restructuring and other costs	1,552	506
ADJUSTED EBITDA	<u>\$ 3,082</u>	<u>\$ 3,959</u>

	Three Months Ended March 31,	
	2021	2020
Net loss	\$ (2,380)	\$ (231)
Stock-based compensation	853	545
Amortization of acquisition-related intangible assets	71	122
Acquisition-related, restructuring and other costs	1,552	506
Deferred tax expense - goodwill amortization	130	134
Non-GAAP net income (loss)	<u>\$ 226</u>	<u>\$ 1,076</u>

	Three Months Ended March 31,	
	2021	2020
Total revenues	\$ 77,970	\$ 76,699
Pass-through revenue	(10,876)	(14,868)
Cost of product revenue	(4,086)	(7,123)
Service fee equivalent revenue	<u>\$ 63,008</u>	<u>\$ 54,708</u>

PFSweb, Inc. and Subsidiaries
 Unaudited Consolidated Segment Information
 and Reconciliation of Certain Non-GAAP Items to GAAP
 (In Thousands)

The segment financial data for the three and twelve months ended March 31, 2021 and 2020, reflect the financial performance for each of the segments based on the current financial presentation reviewed by the company's Chief Operating Decision Makers. The company is continuing to evaluate its segregation of costs among the business units, including an effort to further allocate certain Corporate costs into the two operating business units to enhance cost focus and responsibility.

	Three Months Ended March 31,	
	2021	2020
PFS Operations		
Revenues:		

Service fee revenue	\$ 42,431	\$ 33,431
Product revenue, net	4,308	7,533
Pass-through revenue	10,163	13,956
Total revenues	56,902	54,920
Costs of revenues:		
Cost of service fee revenue	31,709	23,305
Cost of product revenue	4,086	7,123
Cost of pass-through revenue	10,163	13,956
Total costs of revenues	45,958	44,384
Gross profit	10,944	10,536
Direct operating expenses	7,228	7,444
Direct contribution	3,716	3,092
Depreciation and amortization	1,885	1,774
Stock-based compensation	152	69
Acquisition-related, restructuring and other costs	300	640
Adjusted EBITDA	\$ 6,053	\$ 5,575
Total revenues	\$ 56,902	\$ 54,920
Pass-through revenue	(10,163)	(13,956)
Cost of product revenue	(4,086)	(7,123)
Service fee equivalent revenue	\$ 42,653	\$ 33,841

PFSweb, Inc. and Subsidiaries
Unaudited Consolidated Segment Information
and Reconciliation of Certain Non-GAAP Items to GAAP
(In Thousands)

	Three Months Ended March 31,	
	2021	2020
LiveArea Professional Services		
Revenues:		
Service fee revenue	\$ 20,355 (1)	\$ 20,867
Pass-through revenue	713	912
Total revenues	21,068	21,779
Costs of revenues:		
Cost of service fee revenue	11,535	11,411
Cost of pass-through revenue	713	912
Total costs of revenues	12,248	12,323
Gross profit	8,820	9,456
Direct operating expenses	7,088	6,274
Direct contribution	1,732	3,182
Depreciation and amortization	159	223
Stock-based compensation	233	135
Acquisition-related, restructuring and other costs	102	1
Adjusted EBITDA	\$ 2,226	\$ 3,541
Corporate		
Selling, general and administrative expenses	\$ (6,987)	\$ (5,651)
Depreciation and amortization	172	288
EBITDA	(6,815)	(5,363)
Stock-based compensation	468	341
Acquisition-related, restructuring and other costs	1,150	(135)
Adjusted EBITDA	\$ (5,197)	\$ (5,157)

(1) Includes \$0.5 million of related party service fee revenue for the three months ended March 31, 2021.



Source: PFSweb, Inc.