

PFSW FINANCIAL TERMS GLOSSARY

WE OFTEN MAKE REFERENCE TO CERTAIN NON-GAAP MEASURES, INCLUDING SERVICE FEE EQUIVALENT REVENUE, EARNINGS BEFORE INTEREST, INCOME TAXES, DEPRECIATION AND AMORTIZATION (EBITDA), ADJUSTED EBITDA AND NON-GAAP NET INCOME (LOSS).

Service Fee Equivalent Revenue (SFE): Service fee equivalent revenue represents service fee revenue plus the gross profit earned on product revenue and does not alter existing revenue recognition.

EBITDA: EBITDA represents earnings (or losses) before interest, income taxes, depreciation, and amortization.

Adjusted EBITDA: Adjusted EBITDA represents EBITDA with further eliminations for the effects of stock based compensation, acquisition-related, restructuring, and other (income) costs.

Non-GAAP Net Income: 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 (income) costs, amortization of acquisition-related intangible assets and deferred tax expense for goodwill amortization.

Service fee equivalent revenue, EBITDA, adjusted EBITDA and non-GAAP net income (loss) are used by management, analysts, investors and other interested parties in evaluating our operating performance compared to that of other companies in our industry. 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. The calculation of non-GAAP net income (loss) eliminates the effect of stock-based compensation, acquisition-related, restructuring and other (income) 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.

PFSweb, Inc. believes these non-GAAP measures provide useful information to both management and investors by focusing on certain operational metrics and excluding certain expenses 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.

Business Units: PFSweb is comprised of two strategic Business Units that are defined by the types of service offerings they provide. **LiveArea** professional services for strategy consulting, creative design, digital marketing, and web development services, and **PFS** operations services for order fulfillment, contact center, payment processing/fraud management, and order management services.

LiveArea Project Bookings*: Defined as expected revenues related to one-time projects for new and current clients. There are no contractual commitments beyond the single project work. LiveArea Project Bookings will generally be less than a year in duration. This metric also includes average annual contract value for new retainers where we have a contract to provide services on a recurring basis to clients. These bookings will be disclosed on a full quarter basis.

LiveArea Client Engagements: Defined as the number of client projects or supporting retainers for digital marketing or technology managed services. Clients can be engaged with us for more than one Client Engagement at the same time. This metric will fluctuate quarter-to-quarter and will likely reflect the seasonality of the project revenue.

PFS Client Programs: Defined as a solution to provide recurring revenue operations services for a single brand in one major geography or channel. If we provide services in multiple major geographies – such as the UK or Canada – or through multiple channels – such as direct-to-consumer or business-to-business – for the same brand, then we would count these as more than one program. These are typically much larger in value and complexity as they can include services from both business units.

PFS Average Annual Contract Revenue*: Reflects the estimated average annual service fees that we would expect to generate based on a client's projected business volumes. These PFS recurring revenue contracts typically range between three and five years.

**Note: As we disclose this information, please understand that the LiveArea Project Bookings and estimated PFS Average Annual Contract Revenue are based on client projections, which often change and in any case may not be achieved. We provide this information so that you can have a better understanding of our business, but we don't assume any obligation to update any information and there may be circumstances in which we are unable to disclose these metrics.*