

January 2021

**P F S W**

# **PFSW Global Commerce Solutions**

**LiveArea**



**P F S**

# Important Cautions Regarding Forward Looking Statements

The matters discussed in this presentation, particularly information regarding future revenue, earnings, business plans and goals, consist of forward-looking information within the meaning of **Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934** and are subject to the safe harbor created by these sections and involve risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. Such statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on assumptions and estimates that management believes are reasonable based on currently available information; however, management's assumptions and the Company's future performance are both subject to a wide range of business risks and uncertainties, and there is no assurance that these goals and projections can or will be met. Any number of factors could cause actual results to differ materially. The Company undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking information contained herein is subject to the risk factors and uncertainties described in the Company's filings with the Securities and Exchange Commission, which risk factors and uncertainties are incorporated by reference as though fully set forth herein.

This presentation contains certain non-GAAP measures including **Service Fee Equivalent Revenue, Non-GAAP Net Income (Loss), EBITDA and Adjusted EBITDA**. Service fee equivalent revenue represents service fee revenue plus the gross profit earned on product revenue and does not alter existing revenue recognition. 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 (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 (income) costs. Service Fee Equivalent Revenue, Non-GAAP Net Income (Loss), EBITDA, and Adjusted EBITDA are used by management, analysts, investors and other interested parties in evaluating our operating performance compared to that of other companies in our industry, as the calculation of Non-GAAP Net Income (Loss) eliminates the effect of non-cash 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. EBITDA eliminates the effect of financing, income taxes, and the accounting effects of capital spending, and the amortization of acquisition-related intangible benefits, and Adjusted EBITDA further eliminates non-cash stock-based compensation and acquisition-related, restructuring and other costs, 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. The non-GAAP measures are not intended to be considered in isolation of, as a substitute for or superior to our GAAP financial information. We have included reconciliations later in this presentation of the non-GAAP measures to the nearest GAAP measure.

# Key Stats<sup>1</sup>

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## TRADING DATA @ (1/12/21)

Stock Price  
**\$7.08**

\$1.50/\$9.89  
52 WEEK LOW/HIGH

76,634  
AVG. DAILY VOL. (3 MO.)

20.2M  
SHARES OUTSTANDING

77%  
PUBLIC FLOAT, EST.

86%  
INSTITUTIONAL/STRATEGIC  
OWNER HOLDINGS

## VALUATION MEASURES @ (1/12/21)

Enterprise Value  
**\$172.4M**

\$143.4M  
MARKET CAP

0.7x  
EV/TTM SFE REVENUE<sup>2</sup>

8.2x  
EV/TTM ADJ. EBITDA<sup>2</sup>

## FINANCIAL HIGHLIGHTS (TTM @ 9/30/20)

Adjusted EBITDA<sup>2</sup>  
**\$20.9M**

\$321.6M  
TOTAL REVENUE

\$240.8M  
SERVICE FEE  
EQUIVALENT REVENUE<sup>2</sup>

\$9.3M  
NON-GAAP NET INCOME<sup>2</sup>

\$10.4M  
CASH & EQUIVALENTS<sup>3</sup>

\$188.2M  
TOTAL ASSETS<sup>3</sup>

\$39.5M  
TOTAL DEBT<sup>3</sup>

\$137.5M  
TOTAL LIABILITIES<sup>3</sup>

\$50.7M  
TOTAL EQUITY<sup>3</sup>

## STOCK TREND

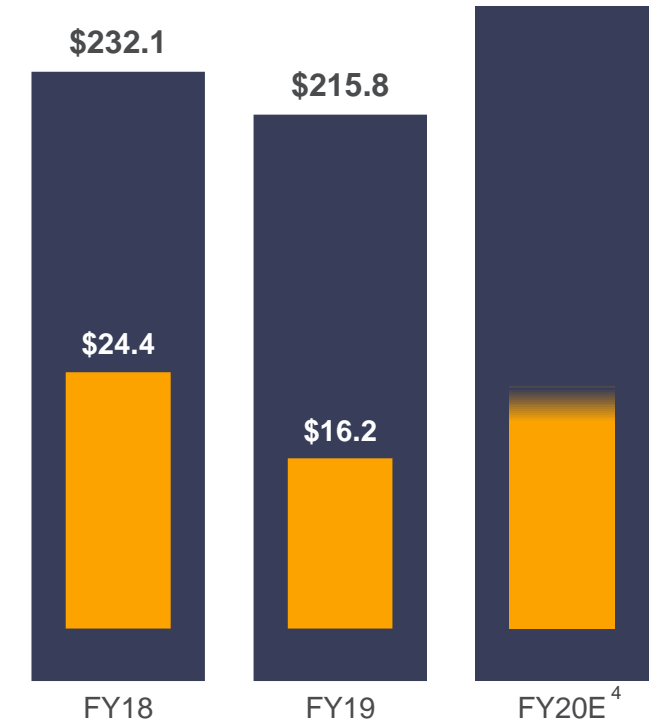


## TARGETING RETURN TO GROWTH IN 2020

Service Fee Equivalent Revenue<sup>2</sup>

Adj. EBITDA<sup>2</sup>

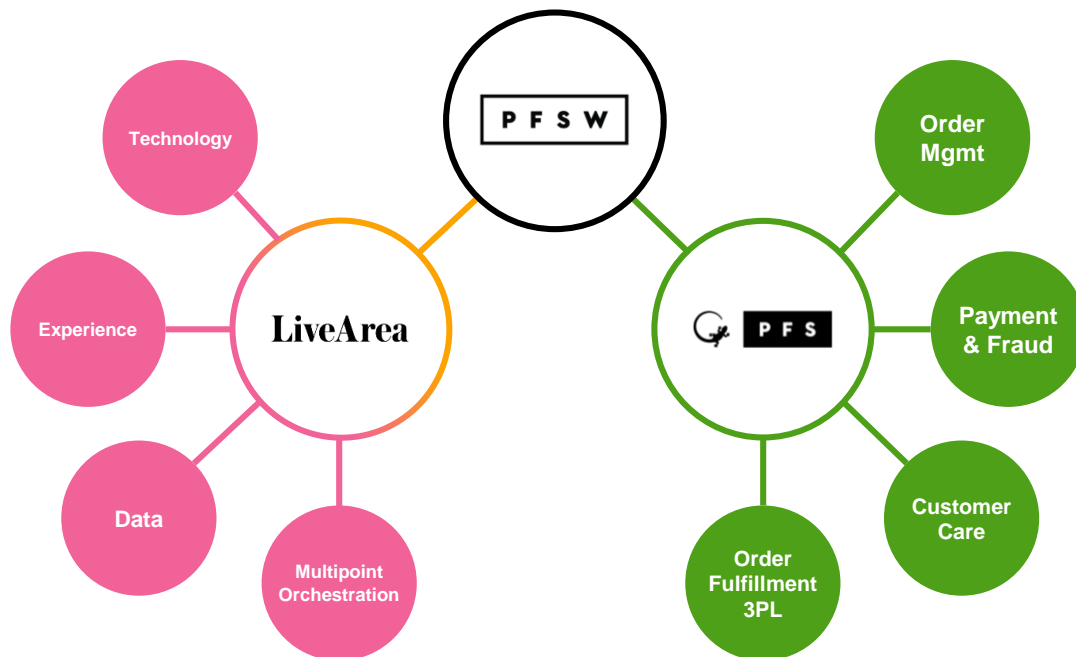
(\$ Millions)



# About PFSweb

## PFSW is a Global Commerce Services Company.

We manage the entire online customer shopping experience for major branded manufacturers and retailers. We do this through two business units, **LiveArea** and **PFS**:



## Selected Client Portfolio



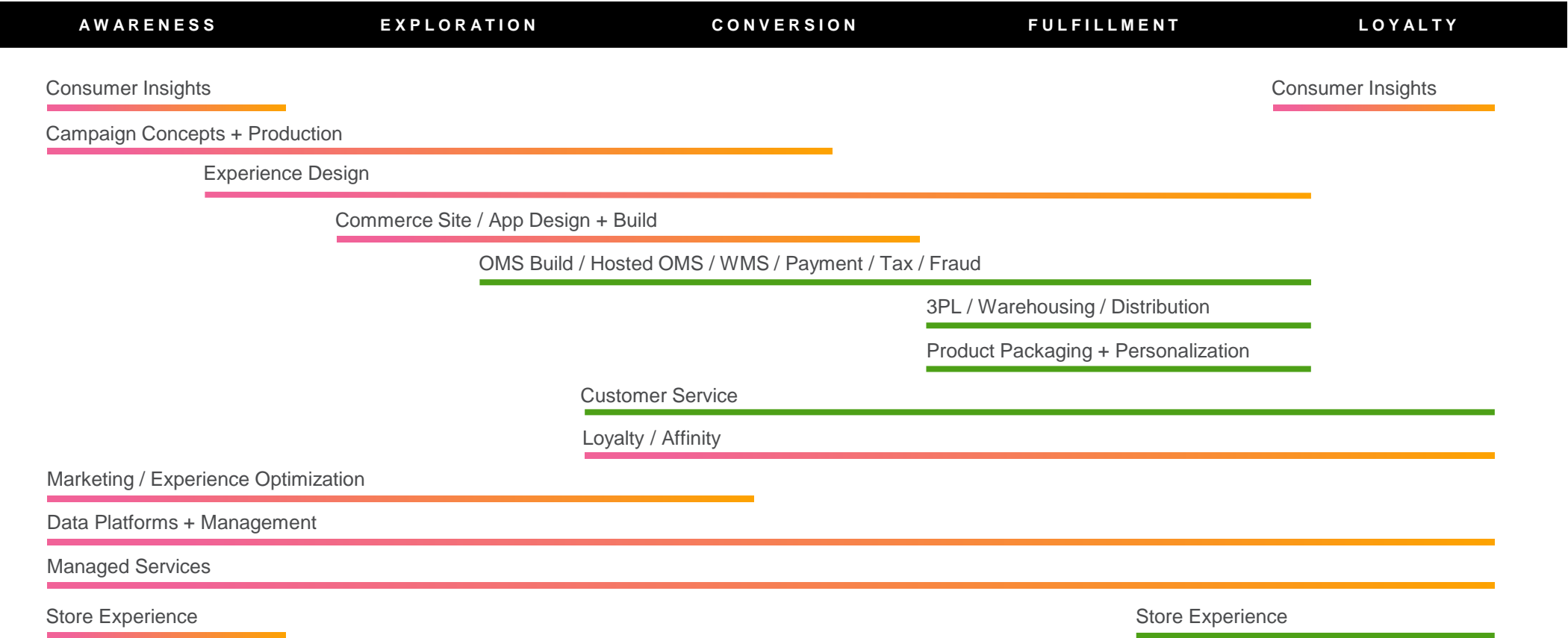
# End Customer Journey

LiveArea



Digital Commerce

Operations Services



# Why We Win

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**Our competitive advantage lies in our ability to create exceptional branded digital and physical shopping experiences at scale.**

- Vertical expertise includes DTC and B2B brand manufacturers with a focus on health & beauty, fashion, jewelry and collectables, activewear, and premier CPG brands.
- Differentiated from retail marketplaces and general merchandise retailers – everything from website design services to personalized products and high-touch order fulfillment.
- Flexible approach to solutions that serve highly customized enterprise implementations, as well as plug and play integrations for SMBs.
- Proven technology infrastructure and operational practices that scale up for planned and unanticipated volume demand.
- Global footprint that spans three continents and enables clients to cost effectively expand into new geographies.
- Innovative use of technology and software development to create products and productized service offerings which expand our market beyond traditional BPO and systems integration.

**Market experience, a complete end-to-end solution and an innovative, brand-centric approach separate us from our competition.**

# State of the Business

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**Business Unit Updates & Technology Innovation**

# Business Unit Update

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## LiveArea

**Robust sales pipeline and improved pipeline conversion in Q4 generated strong backlog headed into 2021 with enhanced service offering and successful international expansion.**

- Surge in Q4 sales bookings back into expected range.
- Improved sales pipeline conversion and clearing through contract signature delays from Q3.
- Continued record sales pipeline of opportunities including large, multi-cloud projects with major brands.
- Global expansion into Europe's Benelux and DAC regions.
- Continue to invest in global senior talent to accelerate growth, introduce innovation, and provide strategic insights.
- Sustained service fee growth objective of 10-15%.



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**Continued high levels of fulfillment-related activities through 2020, including the holiday shopping season, drove stronger than expected revenue growth for the year.**

- Record level fulfillment volumes since Q2 continued through the 2020 holiday peak season.
- Rapid build-out of two new distribution centers (Dallas and Belgium) for incremental capacity, proving crucial to service client order volumes during this peak holiday period.
- Early success with first production RetailConnect client enabling BOPIS and ship-from-store for the holiday.
- Transition to a fully remote contact center workforce has demonstrated continued success and improved operations.
- Rebounding sales pipeline and bookings with new brands and current clients upgrading their order fulfillment solution.
- Sustained service fee growth objective of 5-10%.



## PFS performed at a high level for its clients in 2020, leading to a record DTC fulfillment quarter and full year.

- During Q4, order fulfillment volumes began early and continued strong during traditional holiday peak period generating an 88% increase in DTC order fulfillment activity compared to Q4 2019 with a total of 11 million orders – the largest quarter in company history.
- Orders fulfilled during Cyber Week increased 71% to over two million orders.
- In less than two full months of operations, PFS' two new fulfillment centers in Dallas and Belgium meaningfully expanded fulfillment capacity for key clients.
- Remote contact center operations continued to run smoothly, with less attrition than in previous years, resulting in over one million customer contacts answered in Q4 2020.
- Processed over \$3 billion in gross merchandise value through fulfillment activity in the full year 2020, and an additional \$400 million for order-to-cash platform only clients.
- Payment transaction value processed through PFS' financial services increased 51% to \$1.4 billion in the full year 2020.

**4M+**

ORDERS FULFILLED  
EACH IN NOVEMBER  
AND DECEMBER 2020

**2M+**

ORDERS FULFILLED  
GLOBALLY FROM  
BLACK FRIDAY TO  
CYBER THURSDAY

**1M**

CUSTOMER CONTACTS  
ANSWERED IN Q4 2020

**\$3B+**

GMV THROUGH  
FULFILLMENT ACTIVITY  
IN FY 2020

**\$1.4B**

PAYMENT  
TRANSACTION VALUE  
PROCESSED IN FY 2020

# YoY Weekly Fulfillment Comparison

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Throughout 2020, order fulfillment volume exceeded 2019 volume beginning late in Q1, spiking in Q2, stabilizing in Q3 and then spiking again in Q4 for the traditional holiday demand. Full year order fulfillment volume grew 84% year over year and is the largest on record.

# Fulfillment Enablement



**Increases fulfillment picking efficiency inside distribution centers.**

CloudPick<sup>SM</sup> is a turn-key, cloud-based order fulfillment picking solution designed to be deployed into any distribution center. With Netherlands-based Pcddata as the hardware partner, the carts are manufactured by PFS with our proprietary software for a simple Wi-Fi integration.

- The bundled pick carts and cloud-based picking software are sold as a subscription model with an ongoing support contract.
- Improves pick accuracy and productivity while reducing operating expenses.
- Deployed our CloudPick-based fulfillment technology into a client's German distribution center for the holiday season – accounting for ~10% of their EU order volume from deployment in early November through the end of 2020.



# Fulfillment Enablement



**RetailConnect<sup>SM</sup> is the PFS answer to store-fulfillment problems and inefficiencies.**

With PFS fulfillment technology deployed into stores, retailers optimize their omnichannel offerings to their customers with minimal disruption to their store operations.

- PFS fulfillment technology and infrastructure is deployed inside a retailer's store complementing an existing omnichannel solution or replacing it altogether.
- Retailers gain an organized process, fulfillment efficiency and accuracy for their ship from store and in store pick up (BOPIS) orders.
- Pilot with a DFW artisan shop, implemented in Q4 2019, cut their order processing time in half. When COVID-19 forced their storefront closure, likely saved the family business by enabling cost-effective curbside pickup and ship from store.
- First RetailConnect production client launched in three stores during the holiday season<sup>1</sup> – shipping 5K orders and 12K units total – and resulting in ~30% increase in store fulfillment productivity<sup>2</sup>. Expanded roll-out for this client is anticipated early in 2021, with multiple existing client sales opportunities in-process.



**8K+**

ORDERS SHIPPED IN 2020<sup>2</sup>

**26K+**

UNITS SHIPPED IN 2020<sup>2</sup>

1. Holiday season defined as November 1 – December 31, 2020.

2. As reported by our client for their largest footprint store as compared to the omni-channel system previously deployed in that location.

3. Combined stats for pilot and first production client.

# Financials

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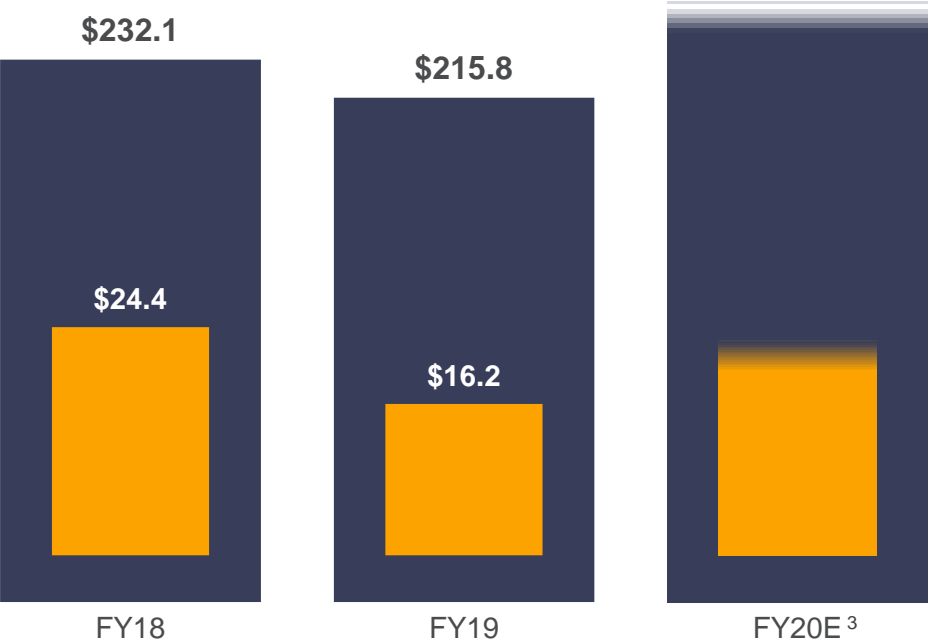
Overview of PFSweb's Financial Picture

# Financial Breakdown

(\$ Millions)

Service Fee Equivalent Revenue<sup>1</sup>

Adj. EBITDA<sup>1</sup>



Margin <sup>2</sup>	10.5%	7.5%	~7.5% to ~8%
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## Targeting record-level SFE revenue for 2020<sup>3</sup>

- Robust eCommerce demand and high fulfilment volumes are driving revenue growth and expected record SFE revenue in FY20.
- Rebounding from PFS client bankruptcy and LiveArea sales underperformance in 2019.
- Recurring FY19 Service Fee Equivalent Revenue ~65%
- Implementing new strategies to accelerate growth.
  - PFS: New products (RetailConnect & CloudPick), traction from sales & marketing investments.
  - LiveArea: Leadership changes, go-to-market adjustments, and expanded capabilities.

## Targeting adjusted EBITDA growth and margin expansion in 2020<sup>3</sup>

- Strong FY20 revenue growth partially offset by increased fulfillment labor costs and sales and marketing costs.
- Long-term margin expansion objective of 12-13% targeted through emphasis on higher-margin service fee, leveraging global infrastructure, and continuous cost control initiatives and operating efficiencies.

1. Service Fee Equivalent Revenue and Adjusted EBITDA are non-GAAP financial measures. See Appendix for a reconciliation to the most comparable GAAP financial measure.

2. AEBITDA Margin reflects percentage of Adjusted EBITDA to Service Fee Equivalent Revenue

3. Company SFE Revenue and Adjusted EBITDA guidance issued and effective on 12/15/2020 only

# Balance Sheet

(\$ Millions)

Select Balance Sheet Items	Dec 31, 2019	Sep 30, 2020
Cash	\$12.4	\$10.4
Accounts Receivable	72.3	56.2
Inventories	3.3	5.1
Property & Equipment, Net	18.4	19.5
Goodwill & Intangibles	46.5	46.0
Operating Lease Right-Of-Use Assets	36.4	36.5
Other	14.3	14.5
<b>Total Assets</b>	<b>\$203.6</b>	<b>\$188.2</b>
Accounts Payable	\$44.6	\$22.9
Accrued Expenses & Other	32.2	33.8
Operating Lease Liabilities	42.2	41.3
Debt	37.8	39.5
<b>Total Liabilities</b>	<b>\$156.8</b>	<b>\$137.5</b>
<b>Total Shareholders' Equity</b>	<b>\$46.8</b>	<b>\$50.7</b>

## September 2020 Highlights

- \$10.4M cash
- \$39.5M debt
- Net debt position of \$29.1M
- Amended senior bank facility in Nov 2018 (\$60M capacity). Five-year agreement with improved rate structure and terms.

# Investment Highlights

**Rapid acceleration in online shopping brings tailwinds for PFSweb in 2021, as we are uniquely positioned as a leader in global commerce with a strong value proposition and can deliver branded commerce operations at scale.**

- COVID crisis creating near and long-term benefits.
- Global footprint spanning three continents, brand-centric approach, and a diversified portfolio of clients provide a strong foundation for growth.
- Multiple avenues for growth and margin expansion as we implement new initiatives and introduce tech products that require limited PFS facility, operations infrastructure and labor support costs.
- Forrester Research expects online buyer behavior to remain strong over the next five years, with eCommerce driving more than half the growth in total retail sales between 2021 and 2024.<sup>1</sup>
- Gartner recommends brands and retailers “accelerate the development and availability of fulfillment services by adopting an aggressive, targeted approach to expanding your last-mile fulfillment portfolio”.<sup>2</sup>
- **Targeting 2020 SFE Revenue percentage growth in the mid to high-teens<sup>3</sup>.**

**PFSW’s competitive advantage lies in our ability to create exceptional branded digital and physical shopping experiences at scale.**

1. Source: Forrester Research, 2020 Online Retail Forecast, North America (COVID-19 Update). September 15, 2020.

2. Source: Gartner Research, Dead Ends, Diversions and New Directions: How Retail's Last Mile Needs to Adapt to a Post-COVID World, August 2020.

3. Company SFE Revenue guidance issued and effective on 12/15/2020 only



**Thank  
You**

**P F S W**

# Senior Leadership Team

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CEO

**Mike Willoughby**

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- Promoted to CEO in March 2013
- 20 years with the company, 30+ years of business development and digital marketing experience



CFO

**Tom Madden**

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- Appointed CFO in 1997
- 25 years with the company, 35+ years of finance and accounting experience



EVP and PFS GM

**Zach Thomann**

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- Promoted to EVP in January 2019, appointed as PFS GM in 2018
- 15 years with the company with client services, operations and technology experience



EVP and LiveArea GM

**Jim Butler**

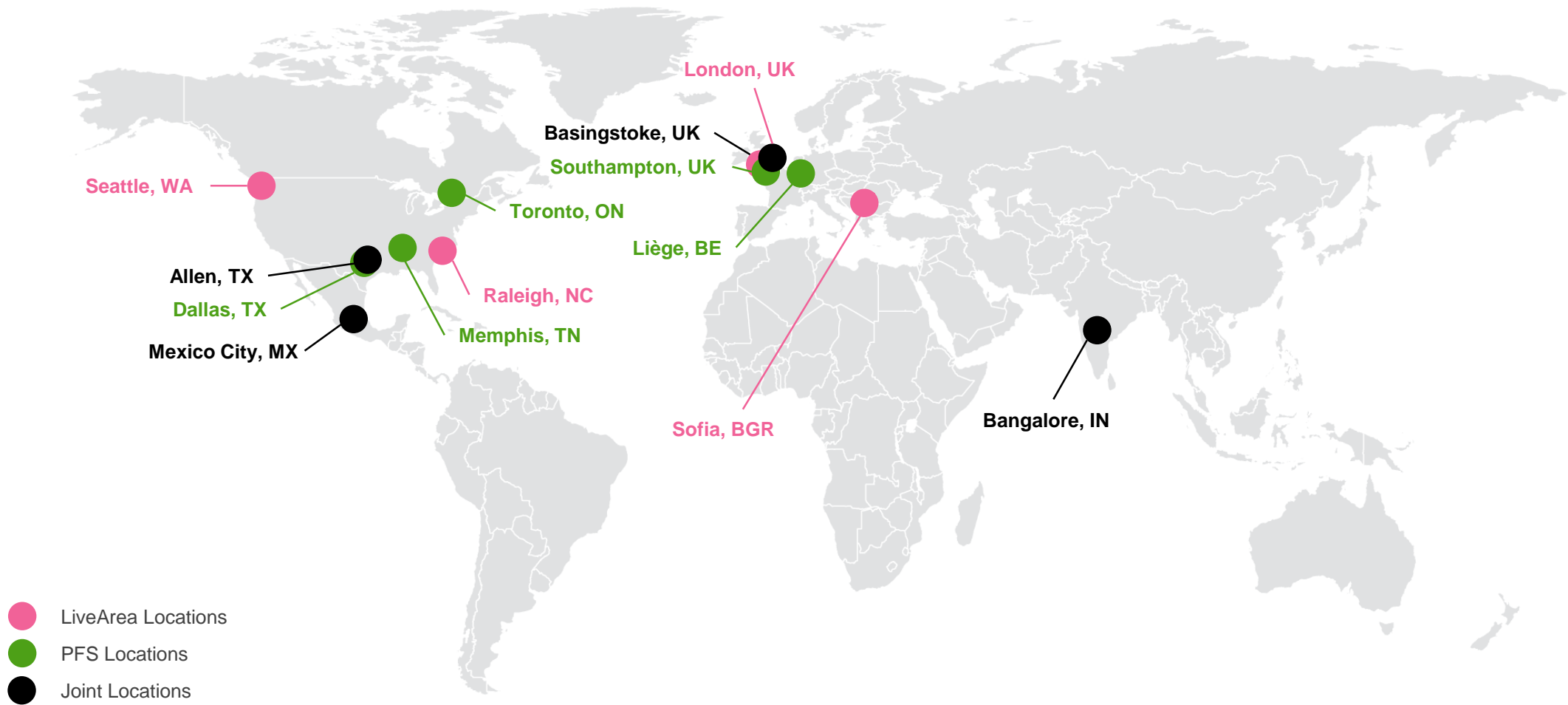
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- Hired in June 2019
- 20+ years of technology and digital consulting experience, most recently served as president of Intersection and former president of Isobar

# Board of Directors

<b>Monica Luechtefeld</b> Board Chair	<ul style="list-style-type: none"><li>• BOD member since 2014</li><li>• Recognized leader in eCommerce and previously held various executive roles at Office Depot</li></ul>
<b>Mike Willoughby</b> Chief Executive Officer	<ul style="list-style-type: none"><li>• Promoted to CEO in March 2013</li><li>• 20+ years of business development and digital marketing experience</li></ul>
<b>David Beatson</b> Independent Director	<ul style="list-style-type: none"><li>• BOD member since 2000</li><li>• Chief Executive Officer of Ascent Advisors, LLC a logistics and supply chain consulting firm</li></ul>
<b>Benjamin Rosenzweig</b> Independent Director	<ul style="list-style-type: none"><li>• BOD member since 2013</li><li>• Partner at Privet Fund Management LLC</li></ul>
<b>Shinichi Nagakura</b> Independent Director	<ul style="list-style-type: none"><li>• BOD member since 2013</li><li>• Officer at transcosmos inc., a leading Japanese BPO company, for the last 15 years</li></ul>
<b>Robert Frankfurt</b> Independent Director	<ul style="list-style-type: none"><li>• BOD member since 2019</li><li>• President and Founder of Myca Partners (“Myca”), and previously senior portfolio manager at Steel Partners and Sandell Asset Management</li></ul>
<b>Mercedes De Luca</b> Independent Director	<ul style="list-style-type: none"><li>• BOD member since 2019</li><li>• CIO of Pebble Beach Company, and 20+ years experience in the eCommerce, consumer Internet and software industries.</li></ul>

# Global Locations



# Revenue & GAAP Financials

## Why we measure Service Fee Equivalent Revenue

### Service Fee Revenue

- Service Fee Revenue represents our primary business activity across more than 160 clients
- **No inventory ownership required**
- Generates service fees based on recurring transaction-based activity and projects.

#### FY 19 Activity:

~\$2B Client Merchandise Fulfilled

= **\$214M GAAP Service Fee Revenue** or *“Service Fee Equivalent Revenue”*

### Product Revenue

- Our Product Revenue activity relates to one client
- **Client requires us to take title of their inventory, and U.S. GAAP requires us to record the full value of their merchandise sold as Product Revenue**
- Gross profit of product revenue is therefore the best estimate of our service fees

#### FY 19 Activity:

\$26.6M Client Merchandise Fulfilled

= \$26.6M GAAP Product Revenue

= **\$1M in Gross Profit** or *“Service Fee Equivalent Revenue”*

**\$214M + \$1M = \$215M Total Service Fee Equivalent Revenue**

# Reconciliation Tables

(\$ Millions)

## Reconciliation of Net Income (Loss) to EBITDA, Adjusted EBITDA & Non-GAAP Net Income (Loss)

		2019					2020			
	2018 Cons	March Cons	June Cons	Sept Cons	Dec Cons	YTD Cons	March Cons	June Cons	Sept Cons	YTD Cons
<b>Net Income (Loss)</b>	\$ 1.2	\$ (1.2)	\$ (1.0)	\$ (1.6)	\$ 1.6	\$ (2.2)	\$ (0.2)	\$ (1.0)	\$ (2.8)	\$ (4.0)
Income tax expense (benefit)	2.8	0.2	0.3	(0.1)	0.7	1.2	0.4	0.6	0.6	1.7
Interest expense	2.5	0.5	0.4	0.5	0.5	1.9	0.4	0.4	0.4	1.2
Depreciation and amortization	9.8	2.5	2.4	2.5	2.3	9.7	2.2	1.8	1.9	5.9
Amortization of acquisition-related intangible assets	1.6	0.2	0.2	0.2	0.2	0.7	0.1	0.1	0.1	0.4
<b>EBITDA</b>	\$ 17.9	\$ 2.3	\$ 2.3	\$ 1.4	\$ 5.2	\$ 11.3	\$ 2.9	\$ 2.0	\$ 0.2	\$ 5.1
Stock-based compensation	4.0	0.7	0.7	0.9	0.8	3.0	0.5	5.2	3.2	8.9
Acquisition related, restructuring & other (income) costs	2.5	0.4	0.4	0.8	0.2	1.9	0.5	0.1	0.0	0.6
<b>Adjusted EBITDA</b>	\$ 24.4	\$ 3.3	\$ 3.4	\$ 3.1	\$ 6.3	\$ 16.2	\$ 4.0	\$ 7.2	\$ 3.4	\$ 14.6
<b>Net Income (Loss)</b>	\$ 1.2	\$ (1.2)	\$ (1.0)	\$ (1.6)	\$ 1.6	\$ (2.2)	\$ (0.2)	\$ (1.0)	\$ (2.8)	\$ (4.0)
Stock-based compensation	4.0	0.7	0.7	0.9	0.8	3.0	0.5	5.2	3.2	8.9
Amortization of acquisition - related intangible assets	1.6	0.2	0.2	0.2	0.2	0.7	0.1	0.1	0.1	0.4
Acquisition related, restructuring & other costs	2.5	0.4	0.4	0.8	0.2	1.9	0.5	0.1	0.0	0.6
Deferred tax expense - goodwill amortization	0.5	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.4
<b>Non-GAAP Net Income (Loss)</b>	\$ 9.8	\$ 0.2	\$ 0.4	\$ 0.4	\$ 3.0	\$ 3.9	\$ 1.1	\$ 4.5	\$ 0.7	\$ 6.3

# Reconciliation Tables

(\$ Thousands)

## Reconciliation of Total Revenue to Service Fee Equivalent Revenue – PFSW Consolidated Results

	<u>2018</u>	<u>2019</u>	<u>2020*</u>
Total revenue	\$ 326,160	\$ 294,022	\$ 236,218
Pass-through revenue	(61,326)	(53,027)	(42,053)
Cost of product revenue	(32,710)	(25,158)	(16,732)
Service Fee Equivalent Revenue	<u>\$ 232,124</u>	<u>\$ 215,837</u>	<u>\$ 177,433</u>

\*Through 9 months

# Reconciliation Tables

(\$ Thousands)

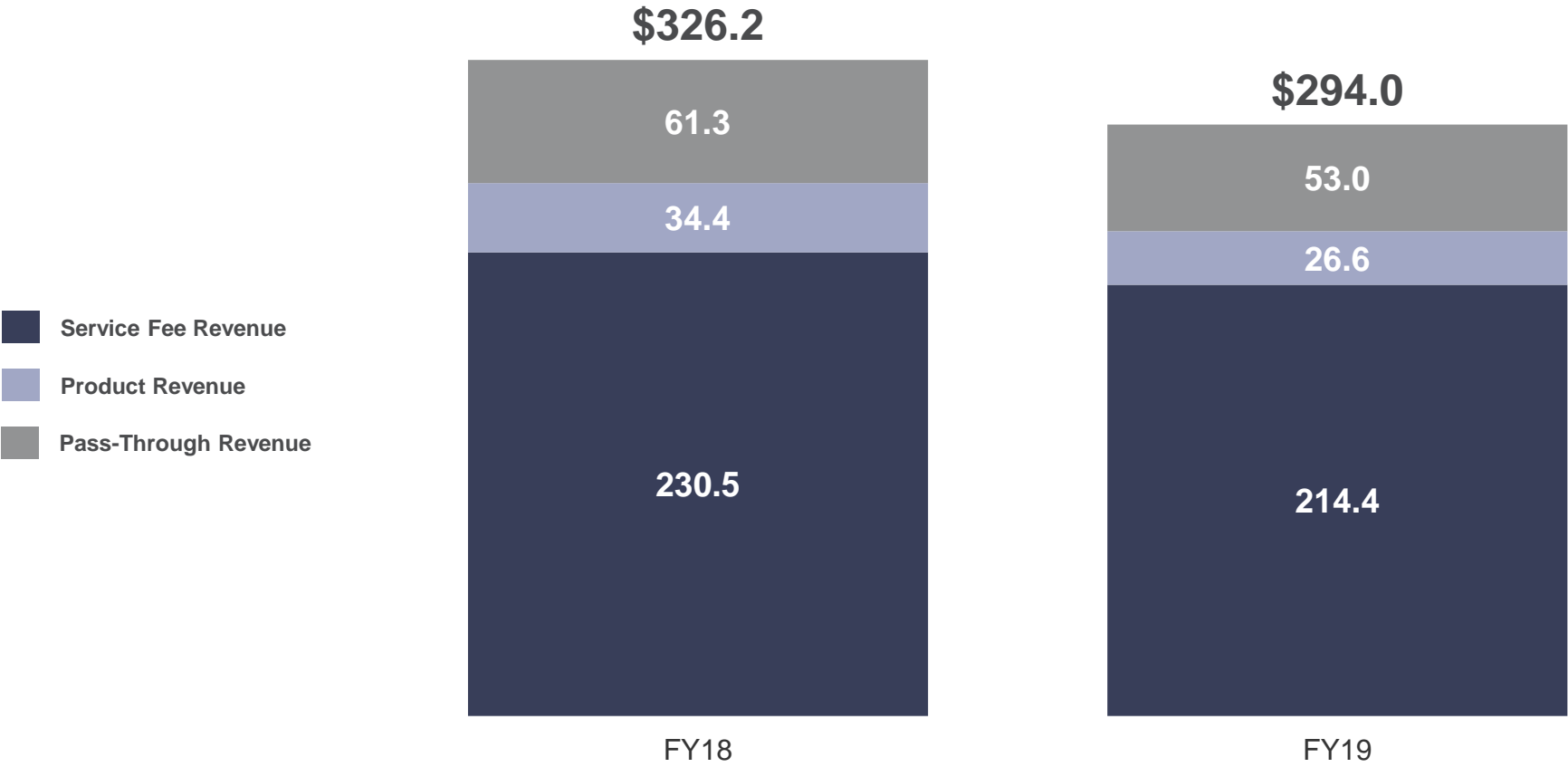
## Reconciliation of Total Revenue to Service Fee Equivalent Revenue – PFS Operations Services

	2018					2019					2020			
	March Qtr	June Qtr	Sept Qtr	Dec Qtr	FY 2018	March Qtr	June Qtr	Sept Qtr	Dec Qtr	YTD 2019	March Qtr	June Qtr	Sept Qtr	YTD 2020
<b>Total PFS Operations Revenue</b>	\$56,487	\$56,615	\$56,277	\$72,356	\$241,735	\$53,430	\$49,250	\$48,515	\$65,204	\$216,399	\$54,920	\$61,245	\$55,404	\$171,569
<b>Pass-through revenue</b>	(11,800)	(14,574)	(15,702)	(17,238)	(59,314)	(12,876)	(11,412)	(10,760)	(15,248)	(50,296)	(13,956)	(13,917)	(11,836)	(39,709)
<b>Cost of Product revenue</b>	(9,316)	(8,403)	(8,099)	(6,891)	(32,709)	(7,077)	(5,791)	(6,250)	(6,040)	(25,158)	(7,123)	(5,590)	(4,019)	(16,732)
<b>Service Fee Equivalent Revenue</b>	\$35,371	\$33,638	\$32,476	\$48,227	\$149,712	\$33,477	\$32,047	\$31,505	\$43,916	\$140,945	\$33,841	\$41,738	\$39,549	\$115,128



# Total Revenue Breakdown

(\$ Millions)

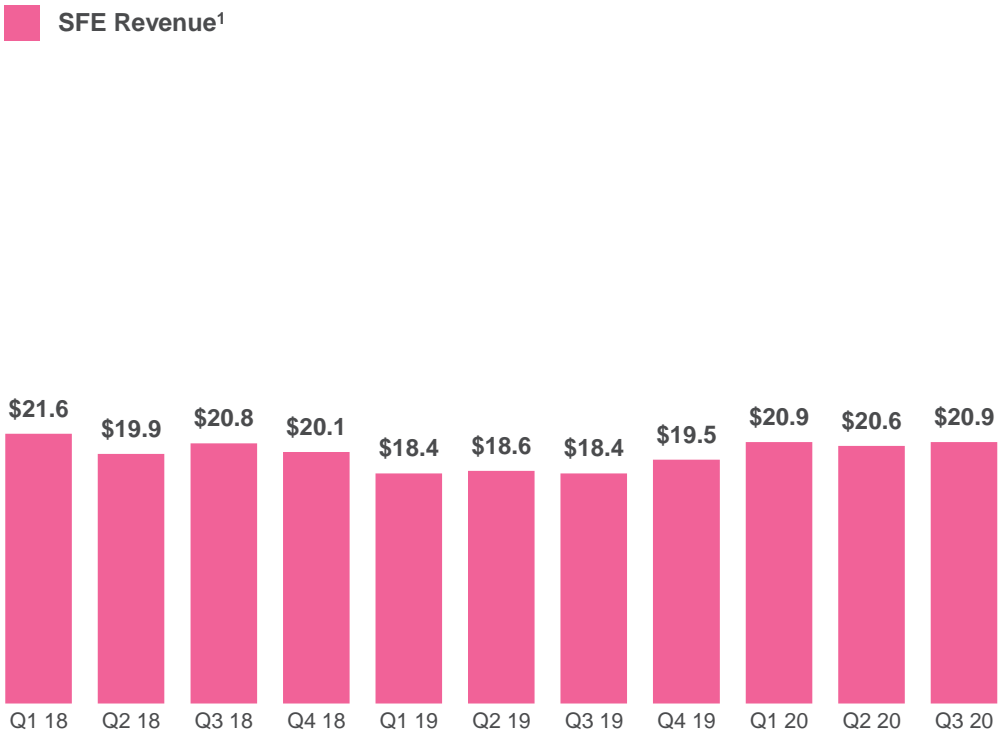
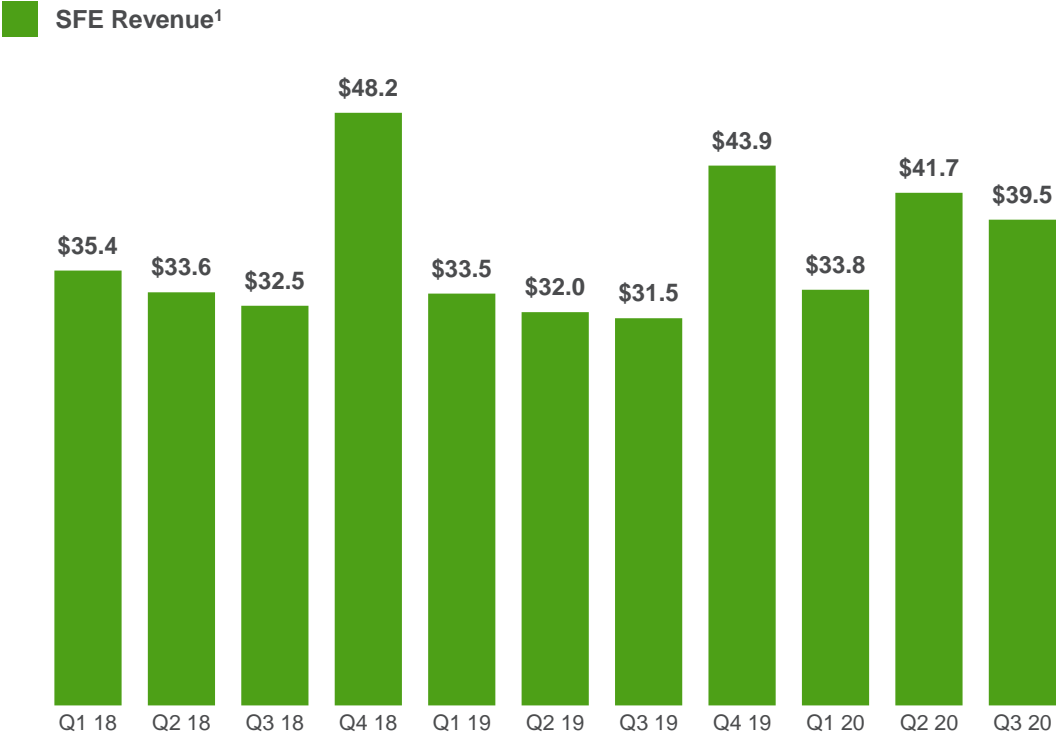


# Business Unit Breakdown

(\$ Millions)



## LiveArea



1. Service Fee Equivalent Revenue is a non-GAAP financial measures. See Appendix for a reconciliation to the most comparable GAAP financial measure.

# Our History

**1994**

## PFSW Founded

Born from a wholesale distributor of computer and office consumables, PFSweb, Inc. was founded to perform BPO services for retailers as the demand for outsourcing grew.

## Expansion & IPO

Established distribution and call centers in Belgium and Canada. In addition, went public on the NASDAQ stock exchange (PFSW) in December 1999.

**1999**

**2008**

## End-to-End

Launched solution that combined experienced BPO services together with new eCommerce web development services on Demandware to create an end-to-end solution.

## Acquisition Expansion

Acquired 5 companies to expand professional services capabilities, platform and geographic diversity, and bolstered creative agency talent.

**2014-  
2016**

**2017**

## Business Unit Formation

Formally created two business units, LiveArea and PFS, under the parent to align our go-to-market strategy with market trends.

## COVID-19 Response

Strategic and tactical adjustments to emphasize employee safety, while accommodating “peak like” volumes through our operations.

**2020**