Non-GAAP References

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, Inc. 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.

**PFS Bookings:** Defined as contracts signed to provide one or more services within the PFS operations portfolio. These recurring revenue contracts typically range between three and five years. The monetary value of PFS bookings is calculated in Annual Contract Value (see full definition below). PFS bookings can be a useful indicator for the expected annual revenue we plan to generate from our client engagement.

**LiveArea Project Bookings:** Defined as one-time project contracts signed that are tied to a specific scope of work for new and current clients. There are no contractual commitments beyond the single project, and they will generally be less than a year in duration. The monetary value of LiveArea Project bookings is calculated in total project value.
**LiveArea Engagement Bookings**: Defined as recurring revenue contracts signed with at least a 1-year initial term. These bookings are typically supporting retainers for digital marketing or technology managed services. They generally have consistent revenue and gross margin characteristics and often have contractual terms allowing the client to easily extend their contracts. The monetary value of these LiveArea Engagements is calculated in annual contract value.

**LiveArea Project Bookings**: Defined as one-time project contracts signed that are tied to a specific scope of work for new and current clients. There are no contractual commitments beyond the single project, and they will generally be less than a year in duration. The monetary value of LiveArea Project bookings is calculated in total project value.

**PFS Bookings**: Defined as contracts signed to provide one or more services within the PFS operations portfolio. These recurring revenue contracts typically range between three and five years. The monetary value of PFS bookings is calculated in Annual Contract Value (see full definition below). PFS bookings can be a useful indicator for the expected annual revenue we plan to generate from our client engagement.

**Annual Contract Value (ACV)**: Reflects the estimated average annual service fees that we would expect to generate during the life of a contract based on a client’s projected business volumes. The timing to get to a full annual run rate can vary, with some PFS contracts taking about 6 months to ramp up, and others taking a full year or more if there are multiple brands in play for that engagement.

**Managed Transportation Annual Contract Value Revenue**: Reflects the estimated average annual revenue from transportation-related services that PFS would expect to generate based on a client’s projected business volumes. Using proprietary technology and negotiated rates with carriers, PFS facilitates the carrier selection process for client orders. Selecting the optimal carrier routing based on clients’ chosen variables (service level, cost, etc.) brings more value in the fulfillment process. These managed transportation revenue contracts are generally operated with a lower gross margin profile than PFS’ traditional fulfillment services, but its expected AEBITDA margin contribution is in line or higher than PFS’ current overall performance.

*Note: As we disclose this information, please understand that these specific metrics 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.*