

VerticalScope Sets New Record for Monthly Active Users, Fueling Double-digit Revenue Growth and Strong Cash Flow in the Third Quarter of 2024

Revenue increased 15% to \$17.8 million
Adjusted EBITDA increased 9% to \$7.4 million
Free Cash Flow increased 7% to \$6.4 million
122 Million Monthly Active Users in Q3, up 21% from prior year

Unless otherwise stated, all amounts are in US dollars.

TORONTO--(BUSINESS WIRE)--November 12, 2024--VerticalScope Holdings Inc. (“VerticalScope” or the “Company”) (TSX: FORA; OTCQX: VFORF), a technology company that has built and operates a cloud-based digital platform for online enthusiast communities, today announced financial results for the third quarter ended September 30, 2024 ("Q3" or "the quarter").

“Our team delivered another strong quarter in Q3 with momentum building in the business as we enter our strongest seasonal period to end the year,” said Rob Laidlaw, Founder, Chair and CEO of VerticalScope. “Our platform served 122 million MAU, a record level, growing by 21% over last year. Our record MAU’s are fueled by people who increasingly seek out the authentic perspectives found on our platform. Fora’s interest-based communities are at the heart of our accelerating advertising revenue, growing in Q3 by 22% compared to last year.”

Mr. Laidlaw continued, “The efficiency of our business model continued to shine through in Q3, with Adjusted EBITDA growing by 9% to \$7.4 million and resulting in Free Cash Flow of \$6.4 million. We started Q4 with great momentum as increased demand for programmatic and direct advertising is delivering strong CPM’s on our growing community sites.”

Financial Highlights for the Three Months Ended September 30, 2024

- Revenue increased by 15% to \$17.8 million, driven by a 22% increase in Digital Advertising revenue. The growth in Digital Advertising is attributed to strong performance from our programmatic channel, driven by new partnerships and a 21% increase in MAU.
- Adjusted EBITDA increased by 9% to \$7.4 million and Adjusted EBITDA margins were 42%, compared to 44% margins in the prior year.
- Free Cash Flow generated was \$6.4 million, an increase of 7%, and reflected a strong conversion rate of 86%.
- Cash flow from operations of \$5.9 million allowed us to further strengthen our balance sheet through strategic debt reduction. In Q3, the Company made a total of \$5.6 million in principal payments towards our credit facility, of which \$5.0 million was voluntary. Net leverage as defined by our credit facility improved to 1.3x compared to 1.5x at the beginning of the quarter.
- Net Income of \$1.2 million and Earnings Per Share of \$0.06 were \$1.7 million and \$0.08 better than the prior year, respectively.

“The strong financial profile of VerticalScope supports our ongoing capital deployment strategy,” stated Vince Bellissimo, CFO of VerticalScope. “With net leverage now below 1.3x, we are in a great position to accelerate the growth of our business through tuck-in M&A, while returning capital to shareholders through share buybacks. Year-to-date we have used our free cash flow to purchase 326,000 shares for cancellation at an average cost of C\$7.79 per share, while reducing debt by \$17.3 million. We are continuing to ramp up our M&A outreach in search of high-return opportunities.”

Earnings Conference Call and Webcast

Management will host a conference call and webcast to discuss the Company's financial results at 8 a.m. ET on Wednesday, November 13, 2024.

Live Call Registration and Webcast:
<https://events.q4inc.com/attendee/861368726>

Joining by Telephone:
Canada: 1 833 950 0062
United States: 1 833 470 1428
Participant Access code: 420561

If you are unable to join live, an archived recording of the webcast will be available at:
<https://investors.verticalscope.com/>.

About VerticalScope

Founded in 1999 and headquartered in Toronto, Ontario, VerticalScope is a technology company that has built and operates a cloud-based digital platform for online enthusiast communities in high consumer spending categories. VerticalScope's mission is to enable people with common interests to connect, explore their passions, and share knowledge about the things they love. Through targeted acquisitions and development, VerticalScope has built a portfolio of over 1,200 online communities and over 120 million monthly active users.

Forward-Looking Statements

This news release contains forward-looking information within the meaning of applicable securities legislation that reflects the Company's current expectations regarding future events. When used in this news release, words such as "should", "could", "intended", "expect", "plan" or "believe" and similar expressions indicate forward-looking statements. Forward-looking information, including the Company's plans for organic growth, deployment of capital, investments in our platform, the growth of revenue and MAU, information regarding our financial position, business strategy, growth strategies, addressable markets, budgets, operations, financial results, plans and objectives, is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurances can be given that actual results will be consistent with these forward-looking statements. Such risks and uncertainties include, but are not limited to, the implementation and effectiveness of the Company's capital allocation strategy, the availability of high-quality M&A opportunities, and the factors discussed under "Risk Factors" in the Company's Annual Information Form dated April 1, 2024, which is available on the Company's profile on SEDAR Plus at <https://sedarplus.ca>. Actual results could differ materially from those projected herein. VerticalScope does not undertake any obligation to update such forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required under applicable securities laws.

Non-IFRS Measures

This press release references certain non-IFRS measures, including Adjusted EBITDA and Free Cash Flow, and Free Cash Flow Conversion as described below. This press release also makes reference to MAU, which is an operating metric used in our industry. These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS.

The Company uses non-IFRS measures including:

"EBITDA" is calculated as net income (loss) excluding interest, income tax expense (recovery), and depreciation and amortization.

“Adjusted EBITDA” is calculated as EBITDA adjusted for share-based compensation, share performance related bonuses, unrealized gains or losses from changes in fair value of derivative financial instruments, severance, adjustments to contingent consideration liabilities measured at fair value through profit and loss, gain or loss on sale of assets, gain or loss on sale of investments, foreign exchange loss (gain), impairment and other charges that include direct and incremental business acquisition related costs.

“Adjusted EBITDA Margin” measures Adjusted EBITDA as a percentage of revenue.

“Free Cash Flow” means Adjusted EBITDA less capital expenditures and income taxes paid during the period.

“Free Cash Flow Conversion” is equal to Free Cash Flow for the period divided by Adjusted EBITDA for the period.

“Monthly Active Users” (“MAU”) is defined as the number of individuals who have visited our communities within a calendar month, based on data as measured by Google Analytics. To calculate average MAU in a given period, we sum the total MAU for each month in that period, divided by the number of months in that period.

SOURCE VerticalScope Holdings Inc.

Related Links

<http://www.verticalscope.com>

The following table sets forth a reconciliation of Adjusted EBITDA and Free Cash Flow to net income (loss):

(Unaudited)	Three Months Ended		Nine Months Ended	
(in thousands of US dollars)	September 30,		September 30,	
	2024	2023	2024	2023
Net income (loss)	\$1,207	(\$516)	\$645	(\$7,025)
Net interest expense	986	1,299	3,223	3,880
Income tax expense (recovery)	442	(52)	874	(2,447)
Depreciation and amortization	4,428	4,901	13,493	16,688
EBITDA	7,062	5,633	18,235	11,096
Share-based compensation	385	1,249	1,174	3,631
Share performance related bonuses ⁽¹⁾	—	—	(3)	—
Unrealized loss (gain) from changes in derivative fair value of financial instruments	(23)	2	52	10
Severance ⁽²⁾	—	30	—	1,470
Gain on sale of assets	(5)	(160)	(10)	(171)
Loss (gain) on investments	(1)	—	(17)	(2)
Foreign exchange loss (gain)	(16)	(6)	12	(30)
Adjustment to contingent considerations	—	—	—	(1,051)
Other charges ⁽³⁾	34	71	296	282
Adjusted EBITDA	7,437	6,819	19,740	15,236
Less capital expenditures	(494)	(710)	(1,327)	(1,827)
Income taxes paid	(530)	(131)	(273)	(937)
Free Cash Flow	\$6,414	\$5,978	\$18,140	\$12,472

(1) Share performance related bonus is included in wages and consulting on the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

(2) Severance is included in wages and consulting on the condensed consolidated interim statements of income (loss) and comprehensive income (loss).

(3) Other charges are included in general and administrative on the condensed consolidated interim statements of income (loss) and comprehensive income (loss). For the three and nine months ended September 30, 2024 and September 30, 2023, these charges include non-recurring legal related costs.

VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Financial Position

(In U.S. dollars)

(Unaudited)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$5,834,336	\$6,015,184
Restricted cash	95,166	93,840
Trade and other receivables	13,382,859	14,175,352
Lease receivable	494,655	595,961
Income taxes receivable	253,225	797,465
Prepaid expenses	875,783	804,692
Derivative instruments	—	51,303
Other current assets	1,508,473	—
	<u>22,444,497</u>	<u>22,533,797</u>
Property and equipment	541,445	754,293
Right-of-use asset	1,702,645	2,123,739
Intangible assets	41,168,092	52,480,458
Goodwill	52,635,164	52,635,164
Other assets	266,309	283,278
Deferred tax asset	18,622,827	21,786,506
Lease receivable	—	354,288
	<u>\$137,380,979</u>	<u>\$152,951,523</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$8,544,464	\$5,563,354
Income taxes payable	85,330	229,770
Derivative instruments	550	—
Deferred revenue	1,217,345	1,157,049
Current portion of long-term debt	2,611,217	3,614,396
Lease liability	1,137,565	1,227,160
	<u>13,596,471</u>	<u>11,791,729</u>
Long-term debt	40,000,227	54,431,100
Lease liability	1,368,764	2,248,029
Deferred tax liability	639,761	3,609,683
Other long-term liabilities	26,612	185,399
	<u>55,631,835</u>	<u>72,265,940</u>
Shareholders' equity:		
Share capital	166,184,037	167,705,234
Contributed surplus	23,048,942	22,435,738

Accumulated other comprehensive loss	(197,795)	(145,494)
Deficit	(107,286,040)	(109,309,895)
	81,749,144	80,685,583
Total liabilities and shareholders' equity	\$137,380,979	\$152,951,523

VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(In U.S. dollars, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$17,786,704	\$15,509,334	\$49,197,664	\$43,045,765
Operating expenses:				
Wages and consulting	7,260,759	6,229,028	21,023,470	21,257,863
Share-based compensation	385,403	1,249,310	1,174,219	3,630,859
Platform and technology	1,920,206	1,525,203	5,139,085	5,237,261
General and administrative	1,180,123	1,039,564	3,640,927	3,077,919
Depreciation and amortization	4,427,753	4,901,141	13,493,365	16,688,368
Adjustment to contingent considerations	—	—	—	(1,051,222)
	15,174,244	14,944,246	44,471,066	48,841,048
Operating income (loss)	2,612,460	565,088	4,726,598	(5,795,283)
Other expenses (income):				
Gain on sale of assets	(5,306)	(160,339)	(10,024)	(171,148)
Net interest expense	985,549	1,299,049	3,223,363	3,879,773
Loss (gain) on investments	(712)	103	(17,110)	(1,792)
Foreign exchange loss (gain)	(15,993)	(6,117)	11,648	(30,316)
	963,538	1,132,696	3,207,877	3,676,517
Income (loss) before income taxes	1,648,922	(567,608)	1,518,721	(9,471,800)
Income tax expense (recovery)				
Current	427,461	111,331	679,826	317,146
Deferred	14,827	(163,430)	193,756	(2,764,172)
	442,288	(52,099)	873,582	(2,447,026)
Net income (loss)	\$1,206,634	(\$515,509)	\$645,139	(\$7,024,774)
Other comprehensive income (loss)				
<i>Items that may be reclassified to net income (loss):</i>				
Foreign currency differences on translation of foreign operations	(65,147)	63,363	(52,301)	21,555
Total comprehensive income (loss)	\$1,141,487	(\$452,146)	\$592,838	(\$7,003,219)

Earnings (loss) per share:

Basic	\$0.06	(\$0.02)	\$0.03	(\$0.33)
Diluted	0.06	(0.02)	0.03	(0.33)

VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Cash Flows

(In U.S. dollars)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$1,206,634	(\$515,509)	\$645,139	(\$7,024,774)
Items not involving cash:				
Depreciation and amortization	4,427,753	4,901,141	13,493,365	16,688,368
Net interest expense	985,549	1,299,049	3,223,363	3,879,773
Gain on sale of assets	(5,306)	(160,339)	(10,024)	(171,148)
Gain on investments	(712)	—	(17,110)	—
Unrealized loss (gain) in derivative instruments	(22,850)	2,163	51,853	10,430
Income tax expense (recovery)	442,288	(52,099)	873,582	(2,447,026)
Adjustment to contingent considerations	—	—	—	(1,051,222)
Share-based compensation	385,403	1,249,566	1,174,219	3,630,859
	7,418,759	6,723,972	19,434,387	13,515,260
Change in non-cash operating assets and liabilities	(30,613)	(1,851,469)	1,828,266	1,589,499
Interest paid	(979,387)	(1,215,173)	(3,212,715)	(3,307,424)
Income taxes paid	(530,034)	(130,602)	(272,505)	(936,981)
	5,878,725	3,526,728	17,777,433	10,860,354
Financing activities:				
Repayment of term loan	(625,000)	(625,000)	(1,875,000)	(1,875,000)
Proceeds from issuance of revolving loan	—	—	—	15,000,000
Repayment of revolving loan	(5,000,000)	(1,750,000)	(13,250,000)	(9,000,000)
Repurchase of share capital for cancellation	(34,411)	(73,673)	(703,496)	(73,673)
Lease payments	(334,034)	(360,936)	(1,035,677)	(1,105,020)
Proceeds from sublease	148,342	150,807	446,298	450,958
Proceeds from leasehold improvement allowance	—	—	—	106,426
	(5,845,103)	(2,658,802)	(16,417,875)	3,503,691
Investing activities:				
Additions to property and equipment and intangible assets	(493,599)	(707,790)	(1,527,395)	(1,824,618)
Proceeds from sale of assets	5,666	160,338	11,747	181,295
Proceeds from sale of investments	712	—	17,110	—
Payment of contingent considerations	—	—	—	(15,000,000)
	(487,221)	(547,452)	(1,498,538)	(16,643,323)
Increase (decrease) in cash	(453,599)	320,474	(138,980)	(2,279,278)
Cash, beginning of the period	6,320,979	6,126,110	6,015,184	8,766,769

Change in restricted cash balances	(2,305)	2,078	(1,326)	29,104
Effect of movement of exchange rates on cash and restricted cash held	(30,739)	(13,393)	(40,542)	(81,326)
Cash, end of period	\$5,834,336	\$6,435,269	\$5,834,336	\$6,435,269

Contacts

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