

# **PUDO INC.**

**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**

**QUARTERLY HIGHLIGHTS**

**FOR THE THREE AND NINE MONTH PERIODS ENDED**

**NOVEMBER 30, 2023 and 2022**

**(EXPRESSED IN CANADIAN DOLLARS)**

**Prepared by:**

**PUDO Inc.**

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**PUDO Inc.**  
**Interim Management's Discussion & Analysis - Quarterly Highlights**  
**Three and nine month periods ended November 30, 2023**  
**Discussion dated: January 4, 2024**

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## **Introduction**

The following interim Management's Discussion and Analysis – Quarterly Highlights (the “Quarterly Highlights”) of the financial condition and results of the operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the factors that affected the Company's financial and operating performance for the three and nine month periods ended November 30, 2023 (“Q3 FY 2024”), together with certain trends and factors that are expected to have an impact in the future.

These Quarterly Highlights have been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine month periods ended November 30, 2023, the audited annual consolidated financial statements of the Company for the years ended February 28, 2023, and February 28, 2022, together with the notes thereto, and the Management's Discussion and Analysis (“Annual MD&A”) Report of the Company for the year ended February 28, 2023. All dollar amounts are expressed in Canadian dollars unless otherwise noted.

The Company's unaudited condensed interim consolidated financial statements and financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

The Company's fiscal year end is February 28.

Further information regarding the Company and its operations are available on the Company's website at [www.pudopoint.com](http://www.pudopoint.com) and under the Company's SEDAR issuer profile at [www.sedar.com](http://www.sedar.com), or upon request to the Company at 6600 Goreway Drive Unit D, Mississauga, Ontario, Canada, L4V 1S6.

## **Description of Business**

PUDO is listed on the Canadian Securities Exchange (“CSE”) under the symbol “PDO” and on the OTCQB exchange under the symbol “PDPTF”.

PUDO's purpose is to improve the connection between e-commerce and consumers. PUDO deploys their technology to provide consumers with convenient locations to Pick-Up or Drop-Off (“PUDO” or “Network”) e-commerce parcels. Through collaboration with online retailers, third party logistics companies (“3PL”), Software as a Service (“SaaS”) providers and courier companies, consumers can take secure delivery of their parcels or drop-off returns where, and when, it's convenient for them.

Existing businesses, such as convenience stores or gas stations, provide services as a PUDOpoint™ (“PUDOpoint”). PUDOpoints are typically open extended hours, seven days a week to make it convenient for busy consumers to quickly and efficiently collect what they've ordered online or drop off what they need to return. The Company deploys its technology to provide consumers with convenient PUDOpoints (the “Network”) to pick-up and drop-off (“PUDO”) e-commerce parcels.

The Company's services provide courier companies and retailers with a presence in a broad variety of locations to better serve their customers. Not only convenient, these services can also save money. Couriers don't have to attempt delivery a second or third time or make other arrangements with customers who aren't home. Retailers can ship directly to PUDOpoints, saving residential delivery costs and reducing the risk of theft or spoilage. PUDO also helps retailers reduce the cost and increase the convenience of their returns program. Consumers can drop off pre-labeled parcels at any PUDOpoint for processing back to the retailer.

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### Cautionary Note Regarding Forward-Looking Information

These Quarterly Highlights contain certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements related to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements address possible future events, conditions and financial performance based upon management's current expectations, estimates, projections and assumptions.

Management of the Company considers the assumptions on which the forward-looking information contained herein are based to be reasonable. However, by their very nature, forward-looking statements inherently involve known and unknown risks and uncertainties that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Such risks include, without limitation those risks discussed in the "Risk Factors" section of PUDO's Annual MD&A dated June 5, 2023.

All forward-looking statements herein are expressly qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in these Quarterly Highlights are made only as of the date of these Quarterly Highlights or as of the date specified in such statement. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

### Highlights

The Company continued to focus on optimizing the PUDO Network to enhance alignment with partner requirements in Canada and the United States ("U.S.") while leveraging the current services and Network to develop new partner relationships to further enhanced revenue opportunities. IT integration and enhancements remain a key focus as the Company looks to increase efficiencies, add new partners, and grow revenue. The Company is positioned well to add new partners for residential redirects, growing parcel volumes for direct to PUDOpoint deliveries, expanding the returns program, and add new revenue streams in the coming quarters. The Network remains uniquely positioned to offer cost effective convenient services for ecommerce returns and to consumers who are looking for an alternative to home delivery.

Below are a few Company highlights during Q3 FY 2024:

- 📍 The Company held the Annual General Meeting of Shareholders on September 6, 2023, at 10:00 AM Toronto Time at the Company's head office located in Mississauga, Ontario, Canada. During the meeting Tom Bijou, Tracy K. Bramlett, Richard Cooper, Murray Cook, and Howard Westerman were nominated for another one-year term as Directors of the Company. Clearhouse LLP was re-appointed auditors of the Company.
- 📍 Management continued to invest in ongoing software development to enhance PUDO's current software technology and database structure to better manage API integration of PUDO's existing and new service offerings with current and new partners. This included the ongoing enhancements to the PUDO Label returns service ("PUDO Label") that enables retailers' customers to print a return label for previously ordered products to drop off the return package at a PUDOpoint Counter location for an efficient and cost-effective consolidated pickup and returns process for the retailers.

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### ***Capital Resources***

During Q3 FY2024, there were nil capital transactions completed.

### **Operations**

#### ***PUDOpoint Network***

The Company continues to actively recruit and register new PUDOpoint Counter locations in Canada and the United States. PUDO activates registered PUDOpoint Counter locations to support partner requirements for services in strategic areas.

#### ***Parcel Volume Analysis***

Parcel volume and other factors within the e-commerce ecosystem affect PUDO's goals and performance during its growth phase.

While the Company continued to strategically manage the growth and development of the PUDOpoint Network throughout Q3 FY 2024, overall parcel volumes decreased by 21.5% compared to the three month period ended November 30, 2022 ("Q3 FY 2023"). In sequential quarters, overall parcel volumes in Q3 FY 2024 as compared to the prior period ended August 31, 2023 ("Q2 FY 2024") decreased by 6.5%. During this quarter, Q3 FY 2024, partner shipments decreased by 24.3% over the same quarter in the previous year and during the first nine months partner shipments decreased by 16.2% compared to same period in the prior year. During the same three month period, member shipment volumes increased by 18.6% relative to the year earlier quarter as a result of the Canada-USA border reopening with limited restrictions. In Q3 FY 2024, partner shipments represented 90% of the Company's total volumes, down from 93.4% in the same quarter in the prior fiscal year.

Below is a summary of PUDO's current parcel services being utilized by partners and customers:

- ***Returns***: During Q3 FY 2024, returns parcel volumes increased by 27% compared to Q3 FY 2023. In sequential quarters, returns parcel volumes in Q3 FY 2024 as compared to Q2 FY 2024 increased by 6.3%. During the nine months ended November 30, 2023, returns parcel volumes increased by 19.7% relative to the nine months ended November 30, 2022. These increases result from PUDO courier partners utilizing the PUDOpoint Counters Network to offer a lower cost returns option to their e-commerce retailers using their courier services for returns.
- ***Failed First Attempts ("FFA")***: During Q3 FY 2024, total FFA parcel volumes decreased by 9.4% relative to Q3 FY 2023. In sequential quarters, parcel volumes in Q3 FY 2024 compared to Q2 FY 2024 decreased by 2.3%. During the nine months ended November 30, 2023, FFA parcel volumes increased by 1.9% relative to the nine months ended November 30, 2022.
- ***For Pickup ("FPU")***: During Q3 FY 2024 FPU parcels decreased by 54.6% as compared to the prior year, Q3 FY 2023. In sequential quarters, FPU parcel volume in Q3 FY 2024 as compared to period ended Q2 FY 2024 decreased by 19.7%. During the nine months ended November 30, 2023, FPU parcel volumes decreased by 43.5% relative to the nine months ended November 30, 2022. The decreases are a result of a large ecommerce retailer changing their business model, reducing the requirement for use of the PUDOpoint Counter Network for courier pickup of their customer drop offs.
- ***Third Party Logistics ("3PL")***: During Q3 FY 2024, 3PL parcel shipments decreased by 67.6% over the prior year, Q3 FY 2023. In sequential quarters, 3PL parcel shipments in Q3 FY 2024 as compared to Q2 FY 2024 increased by 5.6%. During the nine months ended November 30, 2023, 3PL parcel volumes decreased by 57.2% relative to the nine months ended November 30, 2022.

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The decreases may have been a result of reduced package shipping to remote locations in Canada due to transportation costs and significant fuel surcharge fees.

- 📍 ***Border Member:*** During Q3 FY 2024 total member parcel volumes increased by 18.6% relative to Q3 FY 2023. In sequential quarters, parcel volumes in Q3 FY 2024 compared to Q2 FY 2024 decreased by 1.4%. During the nine months ended November 30, 2023, border member parcel volumes increased by 25.9% relative to the nine months ended November 30, 2022. The increases are a direct result of reduced COVID-19 restrictions and the reopening of the Canada – USA border.
- 📍 ***Pickup Counters:*** Over 700 PUDOpoint Counter locations are available as “Hub Counters” in the USA and Canada as alternative delivery options for online shopping customers of a large US and Canada e-commerce retailer. These Hub Counters provide a location for safe and secure storage for parcels for pickup by the customer. During Q3 FY 2024 total Pickup Counter parcel volumes remained relatively the same as compared to Q3 FY 2023. In sequential quarters, Pickup Counter parcel volumes in Q3 FY 2024 as compared to Q2 FY 2024 decreased by 7.6%. During the nine months ended November 30, 2023, Hub Counter parcel volumes increased by 7.2% relative to the nine months ended November 30, 2022.
- 📍 ***Direct to PUDO (“D2P”):*** During Q3 FY 2024 total D2P parcel volumes increased by 39.3% relative to Q3 FY 2023. In sequential quarters, parcel volumes in Q3 FY 2024 compared to Q2 FY 2024 increased by 20.2%. During the nine months ended November 30, 2023, D2P parcel volumes increased by 20.4% relative to the nine months ended November 30, 2022. The increases may be the result of the retailers’ customers becoming aware that PUDOpoint Counter locations are available during the check out process on the e-commerce websites, providing a safe secure delivery for their online orders.

As PUDO continues to expand and maintain its services, a greater number of stakeholder partners and consumer members will minimize parcel losses and reduce dependence on specific carriers as PUDO provides a courier agnostic network of locations.

### **Outlook**

PUDO continues to expand the availability and volume of its PUDO Label return services. By increasing the number of retailers using the solution and partnering with additional SAAS and 3PL providers, the PUDO network is becoming an important part of the e-commerce returns solution.

With the success of the PUDO Label returns service in Canada, the Company is working with a current partner to expand the service in the United States by leveraging the available USA PUDOpoint Network currently being used for customers that want to ship directly to a PUDOpoint from their retailer’s checkout process providing a safe and secure delivery location for online ecommerce purchases.

It is expected that the weakness experienced in the Third Party Logistics and For Pick Up service programs will continue for the foreseeable future. However, the addition of new Returns customers and the expansion of the PUDOpoint Network in the United States will offset that decline.

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**Financial Condition and Performance**

**Financial Performance**

A summary of selected financial information for the three and nine month periods ended November 30, 2023 and 2022 is included below:

**PUDO Inc.**

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian Dollars)  
(Unaudited)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2023	2022	2023	2022
Revenue	\$ 799,026	\$ 1,023,889	\$ 2,392,321	\$ 2,917,976
Cost of sales	(489,787)	(619,122)	(1,416,840)	(1,783,961)
<b>Gross profit</b>	<b>309,239</b>	404,767	<b>975,481</b>	1,134,015
Administrative expenses	(298,585)	(381,654)	(1,115,128)	(1,092,170)
Share-based compensation*	(87,035)	(49,817)	(269,339)	(252,907)
<b>Net loss</b>	<b>(76,381)</b>	(26,704)	<b>(408,986)</b>	(211,062)
<b>Other comprehensive loss</b>				
Translation loss on foreign subsidiary	(1,152)	-	(1,152)	
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (77,533)</b>	\$ (26,704)	<b>\$ (410,138)</b>	\$ (211,062)
<b>Loss per share - basic and diluted</b>	<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.01)</b>	\$ (0.01)

\*non-cash expense related to the amortization of performance options for directors, management, and employees.

During the three month period ended November 30, 2023, revenue was \$799,026 (November 30, 2022 - \$1,023,889), representing a decrease of 22% over the same period last year. For the nine months ended November 30, 2023, revenue decreased \$525,655 to \$2,392,321 representing an 18% decrease over the same period in the prior year as a result of the decline of Third Party Logistics and For Pickup services required by PUDO partners.

Gross profit for the three month period ended November 30, 2023, was \$309,239 (November 30, 2022 - \$404,767) representing a decrease of \$95,528 or 23.6% over the same period last year. Gross profit for the nine month period ended November 30, 2023, was \$975,481 (November 30, 2022 - \$1,134,015) representing a decrease of \$158,534 or 14% over the same period in the prior year. These decreases are a result of decreased use of PUDO's 3PL and FPU services by courier partners.

During the three month period ended November 30, 2023, the Company reported a net loss and comprehensive loss for the period of \$77,533 (\$0.00 basic and diluted loss per share), an increase of 50,829 compared with a loss of \$26,704 (\$0.00 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year. Most of this increased loss was attributable to a decrease in revenue along with an increase in administrative expenses and share based compensation.

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The net loss and comprehensive loss for the period for the nine months ended November 30, 2023 was \$410,138 (\$0.02 basic and diluted loss per share), an increase of \$199,076 from a loss of \$211,062(\$0.01 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year, primarily due to an increase in administrative expenses and non-cash share-based compensation, along with a decrease in revenue relative to the corresponding period of the prior fiscal year.

Administrative expenses for the three and nine month periods ended November 30, 2023, were \$298,585 and \$1,115,128 (November 30, 2022 - \$381,654 and \$1,092,170), respectively, representing a decrease in three month activities and an increase in nine month activities, relative to the corresponding periods in the prior fiscal year. The cost increase is related primarily to the impact of the increased accounting and consulting fees during the three and nine month periods as compared to the prior year.

Non-cash share-based compensation for the three and nine month periods ended November 30, 2023, was recorded as \$87,035 and \$269,339 (November 30, 2022 - \$49,817 and \$252,907), respectively, representing an overall increase relative to the corresponding periods in the prior fiscal year.

### ***Financial Condition***

As at November 30, 2023, the Company had total assets of \$683,859 (February 28, 2023 - \$612,380). This increase was primarily attributed to the reduced costs associated with operations.

The Company had a working capital deficiency of \$141,296 (February 28, 2023 – surplus of \$4,058), had not yet achieved profitable operations, had used cash from operating activities of \$29,724 for the nine-month period ended November 30, 2023 (nine month period ended November 30, 2022 – cash received of \$136,065), had a deficit of \$10,081,747 as at November 30, 2023 (February 28, 2023 \$9,672,761) and had shareholders' deficiency of \$97,549 (February 28, 2023 – shareholders' equity \$43,250). These conditions reflect material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While the Company has been successful in raising the necessary funding to continue operations in the past, there is no assurance that it will be able to do so in the future. These condensed interim consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

### ***Cash Flows***

At the nine months ended November 30, 2023, ending cash was \$117,430 (November 30, 2022 – \$265,181) with \$29,724 cash used in operating activities (November 30, 2022 – 136,065), \$29,619 cash was used in investing activities (November 30, 2022 – nil) and nil cash was used in financing activities (November 30, 2022 – nil). The effects of translation of foreign currency was (\$1,152) (November 30, 2022 – (\$5,634)).

### ***Liquidity and Capital Resources***

As noted in the Annual MD&A and previous Quarterly Highlights, the Company generates limited cash from operations. The Company's primary source of cash to date has been through convertible debentures, promissory notes and equity financing.



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### **Related Party Transactions**

During the three and nine month periods ended November 30, 2023 and 2022, the Company incurred bookkeeping fees, office rental, and warehouse sorting costs to a company with a common officer and director. Warehouse sorting is included in cost of sales in the amount \$14,491 for the three month period ended November 30, 2023, and \$50,638 for the nine month period ended November 30, 2023 (November 30, 2022 - \$5,161 and \$11,639 respectively). Bookkeeping fees and office rental are included in accounting and office expense for the three month period ended November 30, 2023, in the amount of \$3,054 and for the nine month period ended November 30, 2023, in the amount of \$10,072 (November 30, 2022 - \$8,761 and \$41,937 respectively).

During the three and nine month periods ended November 30, 2023 and 2022, the Company had the following transactions with shareholders, management and directors:

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	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>November 30,</b>		<b>November 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Share based compensation	\$ 87,035	\$ 49,817	\$ 269,339	\$ 252,907
Salaries and benefits	-	47,778	115,703	154,165
Consulting fees	52,191	10,234	84,299	30,803
	\$ 139,226	\$129,590	\$ 469,341	\$437,875

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As at November 30, 2023, balances payable to the related parties noted above amounted to \$122,189 (February 28, 2023 - \$64,640) and are included in trade and other payables. These balances are unsecured, non-interest bearing and are due on demand.

### **Subsequent events**

The Company evaluated subsequent events through January 4, 2024, the date these Interim Management's Discussion & Analysis - Quarterly Highlights were approved and authorized for issue. There were no material subsequent events that required recognition or additional disclosure in the Interim Management's Discussion & Analysis - Quarterly Highlights.

### **Risk Factors**

The Annual MD&A for the year ended February 28, 2023, dated June 5, 2023, and filed on SEDAR ([www.sedar.com](http://www.sedar.com)), sets out a brief summary of certain risk factors for which adverse occurrences may have a material impact on the Company's future financial performance. We draw our readers' attention to that disclosure of risk factors. No significant changes to those risk factors have occurred in the 2024 fiscal year and to the date of this report.