

December 3, 2021



ShiftPixy, Inc. Reports Fiscal 2021 Results

MIAMI--(BUSINESS WIRE)-- ShiftPixy, Inc. (NASDAQ:PIXY), a Florida-based national staffing enterprise which designs, manages, and sells access to a disruptive, revolutionary platform that facilitates employment in the rapidly growing Gig Economy, today announced operating results for its fiscal year ended August 31, 2021 ("2021").

2021 Growth Initiatives and Business Investments

- Sponsored Four Special Purpose Acquisition Companies ("SPACs")
 - Industrial Human Capital, Inc., successfully completed its \$115 million IPO in October 2021, and is currently evaluating staffing company candidates for its initial business combination.
- Launched ShiftPixy Labs initiative to generate revenues and earnings and expand the Company's footprint in the quick service restaurant and ghost kitchen space.
- Investment in the Company's mobile application and technology solution deployment increased to \$6.8 million in 2021 from \$4.2 million in 2020. Total Human Resource Information System ("HRIS") and mobile application investment is \$26.9 million to date.

2021 Financial Results

- Annual revenues increased 171%, or \$14.8, million to \$23.4 million due to an increase in billings and a migration to a staffing revenue model during part of 2021.
- Gross billings increased 20% due to new customer additions and COVID-19 recovery for existing customers, and represented an increase in per worksite employee billings from \$21,000 to \$26,000 in 2021. The increase was due to higher per worksite employee payrolls for both our healthcare and restaurant/hospitality customers
- Administrative fees, our primary gross profit driver, increased 20% year over year from the fiscal year ended August 31, 2020 ("2020") to 2021.
- Gross profit decreased by \$0.6 million despite the increase in administrative fees due to additional accrued workers' compensation costs related to prior period workers' compensation run off.
- Total operating expenses increased 25.6% to \$28.3 million as the Company continued to invest in its business, including its technology platform and its SPAC and ShiftPixy Labs growth initiatives.
- Loss from continuing operations for 2021 decreased by \$62.5 million due to the elimination of \$69 million of non-cash other expenses in 2020 relating to our recapitalization and offset by additional operating losses, primarily driven by higher operating expenses.
- The Company continued its recapitalization begun during 2020, including:
 - Elimination during 2020 of debt with full-ratchet anti-dilution price protection;
 - Raising \$48 million (gross of expenses) in capital through a combination of public offerings and private placements between May 2020 and September 2021; and
 - Elimination of approximately 11.8 million options to acquire shares of the

Company's preferred stock, which would have been convertible into an equivalent number of shares of common stock if exercised.

2021 Operational Highlights

- The number of worksite employees housed on the Company's HRIS database exceeded 40,000.
- Relocation of corporate headquarters to Miami, Florida to expand sales and marketing reach to better serve Eastern United States and Latin America (move substantially completed in September 2020).
- Experienced billings and worksite employee growth during 2021 despite COVID-19 pandemic due to new client additions and COVID-19 recovery.
- Well positioned for substantial growth. The Company's full suite of mobile application and HRIS platform functionality, combined with its SPAC and ShiftPixy Labs growth initiatives, is expected facilitate additional revenue streams and significant growth.

ShiftPixy Chief Executive Officer Scott Absher commented that, "Despite the headwinds of the COVID-19 pandemic, 2021 saw our launch of several key growth initiatives, including our SPAC sponsoships, (including the successful initial public offering of Industrial Human Capital), and ShiftPixy Labs. Early in the year, we identified several significant opportunities designed to use our technology platform to create an accelerated billings curve. We believe that our SPAC strategy provides us the opportunity to create 'superclient' staffing businesses that are expected to provide significant top-line revenue growth. We also continued to improve our balance sheet by raising additional capital, which allowed us to continue our investment in our initiatives.

"Despite the well publicized headwinds during 2021 due to the COVID-19 pandemic, we are pleased to have been able to execute on our growth strategies while also achieving modest billings growth during the year," according to Mr. Absher. "On our growth initiatives, we are pleased with the acquisition deal flow for Industrial Human Capital and are optimistic that it will be able to complete its initial business combinations during the first half of calendar 2022. We are also optimistic that ShiftPixy will be able to enter into mutually beneficial client services agreements with Industrial once it is fully operational, which will allow us to reap benefits through significant increases in billings, revenues, and admin fees. We believe that we are well positioned to execute on all of our growth initiatives and expect to see a significant increase in our business activity levels, which should translate to long-term shareholder value."

Note Regarding Restatement of Third Quarter 2021 Results

The Company also announced today a restatement of its previously reported financial results of its third fiscal quarter of 2021, ended May 31, 2021, which is related exclusively to (i) the calculation of the value of its investment in its sponsored SPACs, and (ii) recognition of revenue from its staffing clients. The total effect of this amendment and restatement on the line items within the Company's condensed financial statements included in the Company's Quarterly Report on Form 10-Q for the period ended May 31, 2021 is as follows: (i) an increase in Total Assets and Stockholders' Equity of \$47,928,000 including the noncontrolling interest in consolidated subsidiaries noted below; (ii) an increase in Deferred offering costs – SPACs of \$48,083,000; (iii) an increase in Noncontrolling interest of \$47,472,000; (iv) a decrease in Operating expenses, Operating loss and Net loss of

\$456,000, or \$0.02 and \$0.01 per share for the three and nine months ended May 31, 2021, respectively; (v) a decrease in its cash used in operations of \$611,000 and a decrease in its cash provided by financing activities of \$611,000; and (vi) an increase in revenues and cost of revenues of \$6,827,000 each for the three and nine months ending May 31, 2021. These revisions have been fully incorporated in the Company's Annual Report on Form 10-K for the year ended August 31, 2021, which was filed with the Securities and Exchange Commission (the "SEC") yesterday.

About ShiftPixy

ShiftPixy is a disruptive human capital services enterprise, revolutionizing employment in the Gig Economy by delivering a next-gen platform for workforce management that helps businesses with shift-based employees navigate regulatory mandates, minimize administrative burdens and better connect with a ready-for-hire workforce. With expertise rooted in management's nearly 26 years of workers' compensation and compliance programs experience, ShiftPixy adds a needed layer for addressing compliance and continued demands for equitable employment practices in the growing Gig Economy.

ShiftPixy Cautionary Statement

The information provided in this release includes forward-looking statements, the achievement or success of which involves risks, uncertainties, and assumptions. These forward-looking statements are made pursuant to the safe harbor provisions within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Although such forward-looking statements are based upon what our management believes are reasonable assumptions, there can be no assurance that forward-looking statements will prove to be accurate. If any of the risks or uncertainties, including those set forth below, materialize or if any of the assumptions proves incorrect, our results could differ materially from the results expressed or implied by the forward-looking statements we make. The risks and uncertainties include, but are not limited to, risks associated with the nature of our business model; our ability to execute our vision and growth strategy; our ability to form ongoing, profitable relationships with the SPACs; our ability to attract and retain clients; our ability to assess and manage risks; changes in the law that affect our business and our ability to respond to such changes and incorporate them into our business model, as necessary; our ability to insure against and otherwise effectively manage risks that affect our business; risks arising from the COVID-19 pandemic or any other events that could cause wide-scale business disruptions; competition; reliance on third-party systems and software; our ability to protect and maintain our intellectual property; and general developments in the economy and financial markets. These and other risks are discussed in our filings with the SEC, including, without limitation, our Annual Report on Form 10-K, filed on November 29, 2021, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. These documents, including the sections therein entitled "Risk Factors," identify important factors that could cause actual results to differ materially from those contained in forward-looking statements. All of our forward-looking statements are expressly qualified by all such risk factors and other cautionary statements. Statements made in connection with any guidance may refer to financial statements that have not been reviewed or audited. We undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The information in this press

release shall not be deemed to be "filed" for the purpose of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and will not be deemed an admission as to the materiality of any information that is required to be disclosed solely by Regulation FD. Further information on these and other factors that could affect our financial results is included in the filings we make with the SEC from time to time. These documents are available on the "SEC Filings" subsection of the "Investor Information" section of our website at <https://ir.shiftpixy.com/financial-information/sec-filings>, or directly from the SEC's website at <https://www.sec.gov>.

Consistent with the SEC's April 2013 guidance on using social media outlets like Facebook and Twitter to make corporate disclosures and announce key information in compliance with Regulation FD, we are alerting investors and other members of the general public that we will provide updates on operations and progress required to be disclosed under Regulation FD through the Company's social media on Facebook, Twitter, LinkedIn and YouTube. Investors, potential investors, shareholders and individuals interested in us are encouraged to keep informed by following us on Facebook, Twitter, LinkedIn and YouTube.

ShiftPixy Inc.
Consolidated Balance Sheets

	August 31, 2021	August 31, 2020
ASSETS		
Current assets		
Cash	\$ 1,199,000	\$ 4,303,000
Accounts receivable, net	498,000	308,000
Unbilled accounts receivable	2,741,000	2,303,000
Deposit – workers’ compensation	155,000	293,000
Prepaid expenses	605,000	723,000
Other current assets	126,000	73,000
Current assets of discontinued operations	356,000	1,030,000
Total current assets	5,680,000	9,033,000
Fixed assets, net	2,784,000	575,000
Note receivable, net	4,004,000	4,045,000
Deposits – workers’ compensation	386,000	736,000
Deposits and other assets	944,000	449,000
Deferred offering costs – SPACs (See Note 6)	48,261,000	—
Non-current assets of discontinued operations	883,000	2,582,000
Total assets	<u>\$ 62,942,000</u>	<u>\$ 17,420,000</u>
LIABILITIES AND EQUITY (DEFICIT)		
Liabilities		
Current liabilities		
Accounts payable and other accrued liabilities	\$ 6,553,000	\$ 3,831,000
Payroll related liabilities	7,876,000	5,752,000
Accrued workers’ compensation costs	663,000	497,000
Current liabilities of discontinued operations	1,516,000	1,746,000
Total current liabilities	16,608,000	11,826,000
Non-current liabilities		
Accrued workers’ compensation costs	1,646,000	1,247,000
Non-current liabilities of discontinued operations	3,765,000	4,377,000
Total liabilities	22,019,000	17,450,000
Commitments and contingencies		
ShiftPixy, Inc. Stockholders’ deficit		
Preferred stock, 50,000,000 authorized shares; \$0.0001 par value	—	—
Common stock, 750,000,000 authorized shares; \$0.0001 par value; 25,863,099 and 16,902,146 shares issued as of August 31, 2021 and August 31, 2020	3,000	1,000
Additional paid-in capital	142,786,000	119,431,000
Accumulated deficit	(149,338,000)	(119,462,000)
Total ShiftPixy, Inc. Stockholders’ Deficit	(6,549,000)	(30,000)
Non controlling interest in consolidated subsidiaries (See Note 6)	47,472,000	—
Total Equity (Deficit)	40,923,000	(30,000)
Total Liabilities and Equity (Deficit)	<u>\$ 62,942,000</u>	<u>\$ 17,420,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

ShiftPixy Inc.
Consolidated Statements of Operations

	For the year ended	
	August 31, 2021	August 31, 2020
Revenues (gross billings of \$79.0 million and \$65.5 million less worksite employee payroll cost of \$55.6 million and \$56.9 million, respectively)	\$ 23,420,000	\$ 8,642,000
Cost of revenue	23,098,000	7,685,000
Gross profit	<u>322,000</u>	<u>957,000</u>
Operating expenses:		
Salaries, wages, and payroll taxes	11,100,000	7,227,000
Stock-based compensation – general and administrative	1,594,000	1,526,000
Commissions	176,000	181,000
Professional fees	4,089,000	3,366,000
Software development - external	3,755,000	2,240,000
Depreciation and amortization	357,000	272,000
Impaired asset expense	—	3,543,000
General and administrative	6,596,000	4,180,000
Total operating expenses	<u>27,667,000</u>	<u>22,535,000</u>
Operating Loss	<u>(27,345,000)</u>	<u>(21,578,000)</u>
Other (expense) income:		
Interest expense	(5,000)	(2,525,000)
Change in fair value of note receivable	—	(1,074,000)
Expense related to Preferred Options	—	(62,091,000)
Expense related to modification of warrants	—	(21,000)
Loss from debt conversion	—	(3,500,000)
Inducement loss	—	(624,000)
Loss on debt extinguishment	—	(1,592,000)
Change in fair value derivative and warrant liability	—	1,777,000
Other income	25,000	—
Gain on convertible note penalties accrual	—	760,000
Total other (expense) income	<u>20,000</u>	<u>(68,890,000)</u>
Loss from continuing operations before income taxes	<u>(27,325,000)</u>	<u>(90,468,000)</u>
Income tax expense	42,000	—
Loss from continuing operations	<u>(27,367,000)</u>	<u>(90,468,000)</u>
(Loss) Income from discontinued operations		
(Loss) Income from discontinued operations	(2,509,000)	(561,000)
Gain from asset sale	—	15,682,000
Total Income (Loss) from discontinued operations, net of tax	<u>(2,509,000)</u>	<u>15,121,000</u>
Net loss	<u><u>\$(29,876,000)</u></u>	<u><u>\$(75,347,000)</u></u>
Net Loss per share, Basic and diluted		
Continuing operations	\$ (0.81)	\$ (4.96)
Discontinued operations		
Operating (loss) income	(0.07)	(0.03)
Gain on sale of assets	—	0.86
Total discontinued operations	(0.07)	0.83
Net Loss per share of common stock – Basic and diluted	<u><u>\$ (0.88)</u></u>	<u><u>\$ (4.13)</u></u>
Weighted average common stock outstanding – Basic and diluted	<u>33,722,534</u>	<u>18,222,661</u>

The accompanying notes are an integral part of these consolidated financial statements.

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