



October 27, 2016

PFSweb Reports Preliminary Third Quarter 2016 Results and Revises Full Year 2016 Outlook

ALLEN, TX -- (Marketwired) -- 10/27/16 -- PFSweb, Inc. (NASDAQ: PFSW), a global commerce service provider, is reporting preliminary results for its third quarter ended September 30, 2016 and is revising its outlook for the full year.

For the third quarter of 2016, the company expects total revenues to be approximately \$80 million, representing an increase of 12% from the year-ago period. Service fee equivalent revenue (a non-GAAP measure defined below) is expected to be approximately \$54 million, up 17% from the year-ago period.

Net loss for the third quarter is expected to range between approximately \$1.0 million and \$1.4 million, compared to a net loss of \$3.7 million in the same period of 2015. Net loss per share is expected to range between \$0.05 per share and \$0.07 per share. Adjusted EBITDA (a non-GAAP measure defined below) for the third quarter is expected to range between approximately \$3.4 million and \$3.6 million, compared to \$5.4 million in the year-ago period.

For the full year 2016, PFSweb is revising its outlook for service fee equivalent revenue to range between \$222 million and \$228 million (previously \$220 million to \$230 million), representing an increase of 20% to 23% from 2015. The company is revising its target for adjusted EBITDA to range between \$18.0 million and \$20.0 million (previously \$21.5 million to \$23.5 million), compared to \$20.7 million last year. The reduced 2016 adjusted EBITDA target is primarily a result of incremental costs associated with servicing a new client discussed below.

"This year, we have implemented three new large fulfillment solutions in the Memphis area, in addition to several smaller engagements," said Mike Willoughby, CEO of PFSweb. "Though all three client solutions are in production, we have experienced operating challenges with one of them. This client's unique business model led to unanticipated operational requirements requiring remediation to the solution while also supporting their late Q3 and early Q4 seasonal peak. This has led to higher than expected labor and operating costs for this client. We are working diligently to re-engineer a solution that will bring this client engagement to our desired level of profitability while continuing to meet the operational needs of the client.

"2016 continues to be a year of investment for future growth. Our investments in sales, marketing and additional infrastructure have driven strong new client wins and project bookings in the first two quarters of the year. We continue to benefit from a robust sales pipeline and plan to report another solid quarter of project and recurring revenue bookings during our Q3 earnings call.

"Although we've experienced a short-term setback on profitability, we continue to expect our investments for growth to yield an even stronger top-line with enhanced profitability in 2017, and we look forward to providing our 2017 outlook during our upcoming November earnings call."

Financial results for the third quarter ended September 30, 2016 will be released on November 9, 2016. More details about the call will be announced at a later date.

About PFSweb, Inc.

PFSweb (NASDAQ: PFSW) is a global commerce service provider of solutions including digital strategy consulting, digital agency and marketing services, technology development services, business process outsourcing services, and a complete omni-channel technology ecosystem. The company provides these solutions and services to major brand names and other companies seeking to optimize every customer experience and enhance their traditional and online business channels. PFSweb supports organizations across various industries, including Procter & Gamble, L'Oreal, LEGO, Canada Goose, ASICS, Roots Canada Ltd., PANDORA, Diageo, Anastasia Beverly Hills, T.J. Maxx, the United States Mint, and many more. PFSweb is headquartered in Allen, TX with additional locations in Tennessee, Mississippi, Minnesota, Washington, New York, Ohio, North Carolina, Canada, Belgium, United Kingdom, Bulgaria, Germany, and India. For more information, please visit www.pfsweb.com or download the free PFSweb IR App on your [iPhone](#), [iPad](#) or [Android](#) device.

Non-GAAP Financial Measures

This news release contains certain non-GAAP measures, including non-GAAP net income (loss), earnings before interest,

income taxes, depreciation and amortization (EBITDA), Adjusted EBITDA and service fee equivalent revenue.

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 costs and the amortization of acquisition-related intangible assets.

EBITDA represents earnings (or losses) before interest, income taxes, depreciation, and amortization. Adjusted EBITDA further eliminates the effect of stock-based compensation, and acquisition-related, restructuring and other costs.

Service fee equivalent revenue represents service fee revenue plus the gross profit earned on product revenue and does not alter existing revenue recognition. Service fee equivalent revenue does not include pass-through revenue.

Our service fee equivalent revenue estimate of \$54 million for Q3 2016 includes an estimate of service fee revenue of \$53 million and an estimate of gross margin on product sales of approximately \$1 million. Our service fee equivalent revenue target for calendar year 2016 includes a targeted range of between \$219 million to \$225 million of service fee revenue plus an estimated gross margin on product sales of approximately \$3 million (based on targeted product revenue of \$50 million less targeted cost of product revenue of \$47 million).

The adjusted EBITDA outlook for 2016 have not been reconciled to the company's net loss outlook for the same period because certain items that would impact interest expense, income tax provision (benefit), depreciation and amortization, stock-based compensation, amortization of acquisition-related intangible assets and acquisition-related and restructuring costs, all of which are reconciling items between net loss and adjusted EBITDA, cannot be reasonably predicted. Accordingly, reconciliation of adjusted EBITDA outlook to net loss outlook for 2016 is not available without unreasonable effort.

Non-GAAP net income (loss), EBITDA, Adjusted EBITDA and service fee equivalent revenue are used by management, analysts, investors and other interested parties in evaluating our operating performance compared to that of other companies in our industry. The calculation of non-GAAP net income (loss) eliminates the effect of stock-based compensation, acquisition-related, restructuring and other costs and amortization of acquisition-related intangible assets and EBITDA and adjusted EBITDA further eliminate the effect of financing, income taxes and the accounting effects of capital spending, 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.

PFSweb believes these non-GAAP measures provide useful information to both management and investors by focusing on certain operational metrics and excluding certain expenses in order 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.

Forward-Looking Statements

The matters discussed herein consist of forward-looking information under the Private Securities Litigation Reform Act of 1995 and is subject to and involves risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. PFSweb's Annual Report on Form 10-K for the year ended December 31, 2015 identifies certain factors that could cause actual results to differ materially from those projected in any forward looking statements made and investors are advised to review the Annual Report of the company and the Risk Factors described therein. PFSweb undertakes no obligation to update publicly any forward-looking statement for any reason, even if new information becomes available or other events occur in the future. There may be additional risks that we do not currently view as material or that are not presently known.

Investor Relations:

Liolios Group, Inc.
Scott Liolios or Sean Mansouri
Tel 949-574-3860
[Email Contact](#)

Source: PFSweb, Inc.

News Provided by Acquire Media