



**INTERIM MD&A – QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTH PERIOD ENDED MAY 31, 2017  
(EXPRESSED IN CANADIAN DOLLARS)**

**Prepared by:**

**PUDO Inc.**

**400 Brunel Road  
Mississauga, Ontario, Canada, L4Z 2C2**

## Introduction

This interim management's discussion and analysis – quarterly highlights (the “Quarterly Highlights”) of the financial condition and results of operations of PUDO Inc. (“PUDO” or the “Company”) constitutes management's review of the financial position and results of operations reviews the activities, results of operations and financial position of PUDO for the three month period ended May 31, 2017, together with certain trends and factors that are expected to have an impact in the future.

This Quarterly Highlights has 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. The discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three month period ended May 31, 2017, the audited annual consolidated financial statements of the Company for the years ended February 28, 2017 and 2016, together with the notes thereto, and the management's discussion and analysis (“Annual MD&A”) of the Company for the year ended February 28, 2017. 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 Quarterly Highlights 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 about the Company and its operations is available on SEDAR under the Company's issuer profile at [www.sedar.com](http://www.sedar.com) and on the company's website, [www.pudopoint.com](http://www.pudopoint.com).

## Cautionary Note Regarding Forward-Looking Information

This Quarterly Highlight contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “forward-looking statements”). 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 its 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 27, 2017. 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 this Quarterly Highlight are made only as of the date of this Quarterly Highlight 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.

## Description of Business

PUDO is listed on the Canadian Securities Exchange under the symbol “PDO” and on the OTC QB exchange under the symbol “PDPTF”.

The Company’s technology links existing bricks and mortar businesses with retailers, third party logistics companies (3PL’s), courier companies and consumers. PUDOp<sup>o</sup>ints hold parcels for consumers to pick-up or returns that consumers have dropped off. PUDO’s services provide companies with a presence in a variety of locations to better serve their customers.

## Highlights

With the PUDOp<sup>o</sup>int network reaching across Canada, boasting nearly 1,000 locations so far, the first quarter of the year was focused on diversifying service offerings for the Company’s customers and consumers. The two agreements announced this quarter will make it possible for consumers to choose an alternative to home based delivery at no additional cost to them. The PUDOp<sup>o</sup>int network is unique in that any courier can deliver to a PUDOp<sup>o</sup>int. Consumers can choose any PUDOp<sup>o</sup>int and e-commerce companies can use the most effective means to get the parcel there.

On May 1, 2017, the Company announced that it had entered into a 3 year agreement with P2P Mailing Ltd., (“**P2P**”) part of the Delivery Group. P2P is one of the UK’s leading international e-commerce logistics operations. The agreement provides P2P’s business customers with convenient, courier-neutral delivery locations in North America through the PUDOp<sup>o</sup>int network. The new service offering will soon allow Canadian customers to choose any PUDOp<sup>o</sup>int to pick-up their parcel as an alternative to residential delivery. In addition, where consumers are not home to take delivery of their parcels, P2P shipments will be re-directed to a nearby PUDOp<sup>o</sup>int for customers to pick-up at their convenience. Teams at both PUDO and P2P are currently working through the process of integrating IT systems to facilitate seamless service when parcels are delivered to a PUDOp<sup>o</sup>int for customer pick-up.

On May 28, 2017, the Company entered into three-year agreement with Metro Logistics Inc. (“**Metro**”). Metro is part of the Metro Supply Chain Group, a leading provider of third-party warehousing, logistics and transportation services, including e-commerce fulfillment, across North America and Europe. PUDO’s FUSE API will be integrated into the checkout process to enable customers to choose to have their parcel delivered directly to a PUDOp<sup>o</sup>int to be picked up at their convenience. IT integration work has been ongoing, and initial customer testing has been scheduled for Q2 of 2017.

## Operations

### PUDOp<sup>o</sup>int Network

The Company is focused on parcel volumes and has been working closely with customers to expand the PUDOp<sup>o</sup>int network. New locations have been opened where customers have indicated a need for PUDO’s services. This has been partially offset by locations that have had

operations suspended due to a current lack of demand for services in their immediate area. These and other locations may be activated when required as PUDO attracts new customers, and sees growth in demand and locations for its suite of services.

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

Parcel volumes in Q1 2018 increased by 13% relative to Q1 2017. This primarily relates to the expansion of PUDO's network of PUDOpoints. PUDO acquired the Kinek operations on March 3, 2016. The financial impact of the Kinek operations between these two periods is relatively comparable. Compared to the previous quarter, parcel volumes in Q1 2018 decreased which is consistent with the seasonality of the retail cycle.

### ***Reverse Logistics Program***

PUDO is developing a reverse logistics program with its partners for e-commerce customers facing escalating costs and demanding consumer expectations. PUDO's technology allows partner retailers to let their customers drop-off returns at any PUDOpoint. PUDO's network facilitates the returns process while saving shipping costs. This was a primary focus during PUDO's participation at the Retail Council of Canada's Store Conference at the end of May in Toronto.

## **Financial Condition and Performance**

### ***Financial Condition***

As of May 31, 2017, the Company had assets of \$800,747 (\$1,011,041 as at February 28, 2017). This decrease was primarily related to costs associated with operations, network expansion and IT expenses.

As of May 31, 2017, the Company had a working capital deficiency (defined as current assets less current liabilities) of \$29,750 (\$157,495 as at February 28, 2017). The Company plans to fund its planned expansion of the PUDO network through equity financings. See "*Liquidity*" below.

### ***Financial Performance***

During the three month period ended May 31, 2017, the Company reported net loss of \$250,562 (\$0.02 basic and diluted loss per share). This compared to a net loss of \$379,811 (\$0.02 basic and diluted loss per share) in the corresponding quarter in the prior fiscal year.

Revenue for the three month period ended May 31, 2017 was \$176,528 (May 31, 2016 – \$144,932), representing a 22% increase over the same period last year. Gross profit for the three month period ended May 31, 2017 was \$128,003 (May 31, 2016 – \$105,195). This was primarily due to increased growth in the PUDO network.

Administrative expenses for the three month period ended May 31, 2017 were \$372,378 (May 31, 2016 - \$452,956), representing a significant reduction relative to the corresponding quarter in the prior fiscal year. This cost reduction relates primarily to implementation of more-effective cost controls.

### ***Cash Flows***

The statement of cash flows sets out a net decrease in cash in the year-to-date period of \$164,598. These amounts were partially offset by \$128,003 in gross profit. Cash was primarily spent on costs associated with operations, network expansion, year-end activities and IT expenses.

## **Liquidity and Capital Resources**

PUDO intends to generate the capital necessary to fund the planned expansion through revenue from operations and equity financing activities. As noted in the Annual MD&A, the Company generates limited cash from operations. The Company's primary source of cash to date has been equity financings. The Company's outstanding loans and borrowings consist of the following:

	As at May 31, 2017
Loan Payable (Atlantic Canada Operations Agency)	\$160,169
Less: Current portion	\$ 31,579
	<u>\$128,590</u>

PUDO intends to raise equity capital to fund its planned expansion, as well as increase its revenue at existing locations to eliminate operating losses. The Company has a history of successfully raising the capital needed to operate and believes it can continue to raise any necessary capital. However, the history of losses may cast doubt on the ability of the Company to continue to operate as a going concern.

The unaudited condensed interim consolidated financial statements for the three month period ended May 31, 2017 have been prepared with the assumption that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the course of operations. They do not include any adjustments that may be required if it were not able to continue as a going concern. The Company's financial statements for the year ended February 28, 2017, contain an emphasis of matter paragraph in its audit opinion related to its ability to continue as a going concern. Management believes that actions currently being taken, which primarily involve increasing revenues, controlling expenses, and raising additional capital will allow the Company to achieve profitability and allow the Company to continue as a going concern.

## **Related Party Transactions**

During the three month ended May 31, 2017, the Company

- Incurred bookkeeping fees, included in professional fees of \$18,000 (2016 - \$18,000) to Cardinal Couriers Ltd., a company with common officers and directors.
- Paid, or incurred, salary and consulting fees of \$36,000 to Francesco Coccia, Chief Executive Officer, \$10,074 to Douglas P. Baker, Chief Financial Officer, and \$32,152 to Matthew McDonough, Vice-President.

## **Risk Factors**

The Annual MD&A filed on SEDAR on June 27, 2017, 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 first fiscal quarter and to the date of this report.