

Financial Market Roadshow Presentation

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SAFE HARBOR

The matters discussed in this presentation, particularly information regarding future revenue, earnings, business plans and goals, consist of forward-looking information within the meaning of [Section 27A of the Securities Act of 1933](#) and [Section 21E of the Securities Exchange Act of 1934](#) and are subject to the safe harbor created by these sections and involve risks and uncertainties, which could cause actual results to differ materially from the forward-looking information. Such statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. These statements are based on assumptions and estimates that management believes are reasonable based on currently available information; however, management's assumptions and the Company's future performance are both subject to a wide range of business risks and uncertainties, and there is no assurance that these goals and projections can or will be met. Any number of factors could cause actual results to differ materially. The Company undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking information contained herein is subject to the risk factors and uncertainties described in the Company's filings with the Securities and Exchange Commission, which risk factors and uncertainties are incorporated by reference as though fully set forth herein.

This presentation contains certain non-GAAP measures including [Service Fee Equivalent Revenue](#), [Non-GAAP Net Income \(Loss\)](#), [EBITDA](#), [Adjusted EBITDA](#) and [Free Cash Flow](#). Service Fee Equivalent Revenue represents service fee revenue plus the gross profit earned on product revenue. Non-GAAP Net Income (Loss) represents net income (loss) calculated in accordance with U.S. GAAP as adjusted for income (loss) from discontinued operations, the impact of non-cash stock-based compensation expense, executive disability benefits, move related expenses and lease termination costs. EBITDA represents net income (loss) before income (loss) from discontinued operations, interest, taxes, depreciation and amortization. Adjusted EBITDA further eliminates the effect of stock-based compensation expense, executive disability benefits, move related expenses and lease termination costs. Free Cash Flow is defined as net cash provided by (used in) continuing operating activities less capital expenditures. Service Fee Equivalent Revenue, Non-GAAP Net Income (Loss), EBITDA, Adjusted EBITDA and Free Cash Flow are used by management, analysts, investors and other interested parties in evaluating our operating performance compared to that of other companies in our industry, as the calculation of Non-GAAP Net Income (Loss) eliminates income (loss) from discontinued operations, the effect of stock-based compensation, executive disability benefits, move related expenses and lease termination costs and EBITDA and Adjusted EBITDA further eliminates the effect of financing, income taxes and the accounting effects of capital spending and Free Cash Flow which accounts for operating cash flow less cash paid for fixed assets, including capitalized software development, 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. The non-GAAP measures are not intended to be considered in isolation of, as a substitute for or superior to our GAAP financial information. We have included reconciliations later in this presentation of the non-GAAP measures to the nearest GAAP measure.

OVERVIEW

| | |
|----------------------------|------------------------|
| Company: | PFSweb, Inc. |
| Symbol / Exchange: | PFSW / NASDAQ |
| Share Price: | \$4.21* |
| Shares Outstanding: | 12.9 million* |
| Market Cap: | \$54.2 million* |

*As of May 1, 2013

ABOUT PFSweb, INC.



PFSweb is a leading global **provider of comprehensive eCommerce solutions** focusing on creating the ultimate branded shopping experience. Our eCommerce offering provides an **omni-channel solution** to **unite digital and physical commerce channels**.

- ▶ Founded in 1994
- ▶ Headquartered in Texas
- ▶ Servicing > 75 Iconic Brand Client Programs
- ▶ 1,350 Global Staff
- ▶ 2012 Service Fee Equiv. Revenue - \$130M @ 27% GP



GLOBAL REACH



SELECTED CLIENT PORTFOLIO

| | | | | | | |
|---|---|---|--|---|---|---|
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

TARGET VERTICAL MARKETS

Fashion & Apparel



Health & Beauty



Household Goods



Consumer Packaged Goods

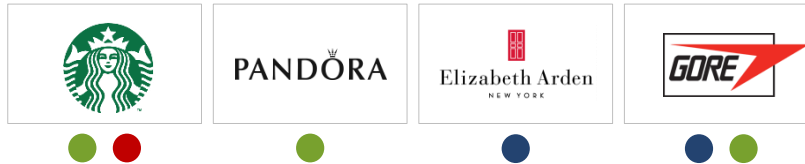


\$45M NEW BUSINESS PIPELINE BUILDS ON SOLID PAST WINS

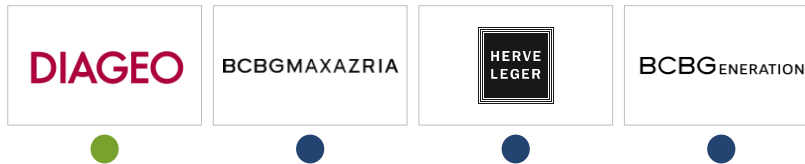
2011



2012



2013



- U.S.
- Canada
- Europe



- ▶ Digitally-connected consumers are empowered like never before and new expectations for **simplicity, convenience, and clarity** are emerging
- ▶ Brands are looking for solutions to help them **meet the challenges of this new paradigm**
- ▶ Empowering brands to pursue “infinite commerce” opportunities, **PFSweb introduces...iCommerce**

SERVICES WE PROVIDE



PFSweb iCOMMERCE
HUBSM



PFSweb iCOMMERCE
AGENCY SERVICESSM



PFSweb iCOMMERCE
CENTERS OF EXCELLENCESM

TOOLS WE USE



eCommerce
Technology



Order
Management



Interactive
Marketing



Product Content
Management



Financial
Services



Customer
Care

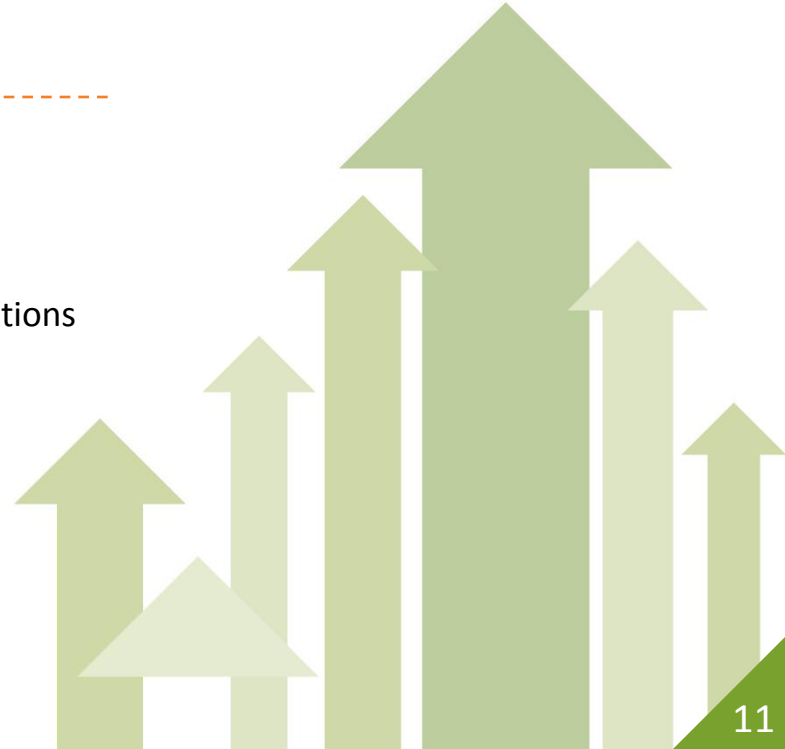


Order
Fulfillment



demandware

- ▶ Industry's only enterprise class Software-as-a-Service platform.
- ▶ Enterprise cloud platform is scalable, secure, and always current.
- ▶ Automatic upgrades, cutting-edge innovations, and pre-built integrations improve productivity, drive higher revenues and facilitate seamless engagement.
- ▶ Launch new sites faster without purchasing additional licenses and investing in more infrastructure to support growth.
- ▶ Large, experienced PFSweb development and support staff



INTERACTIVE MARKETING SERVICES



ATTRACT. CONVERT. NURTURE.

- ▶ Top tier digital marketing ecosystem featuring



- ▶ eMail platform, analytics package and order management systems are all tightly integrated and pre-bundled
- ▶ Bundled eCommerce design and development services
- ▶ Customer intelligence technology and services drives omni-channel marketing strategy



Native & Paid Search



Affiliate Marketing



Product Merchandising



Customer Experience



Web Analytics



eMail Marketing



Social



MASTER CONTENT AND STRUCTURED DATA TO DRIVE HIGHER ENGAGEMENT AND SALES.



- ▶ Master all product data and media assets in a single repository
- ▶ Optimize online merchandising through higher data quality
- ▶ Localize content for global reach
- ▶ Improve collaboration through customizable workflows
- ▶ Syndicate mastered content across all channels and consumer touch points

OMNI-CHANNEL ORDER MANAGEMENT



PURPOSE-BUILT DIRECT-TO-CONSUMER ORDER MANAGEMENT

A fully integrated direct-to-consumer OMS/WMS engineered specifically to handle high volume transactions

PCI Level 1 (v2.0) compliance

ORACLE®
JD EDWARDS WORLD

Enterprise-class retail-integrated order management and store fulfillment

SSAE-16 SOC 1 certified controls and internal financial reporting

Shopatron



WORLD-CLASS DISTRIBUTION TECHNOLOGY & PROCESSES

- ▶ Highly efficient piece picking, bundling, assembly, packing and shipping
- ▶ Custom, scalable solutions leveraging automated and manual processes
- ▶ Convenient returns management – Rebagging, tagging, steaming, returns tracking
- ▶ Cost saving freight management
- ▶ Value-add services including gift wrapping and branded packaging





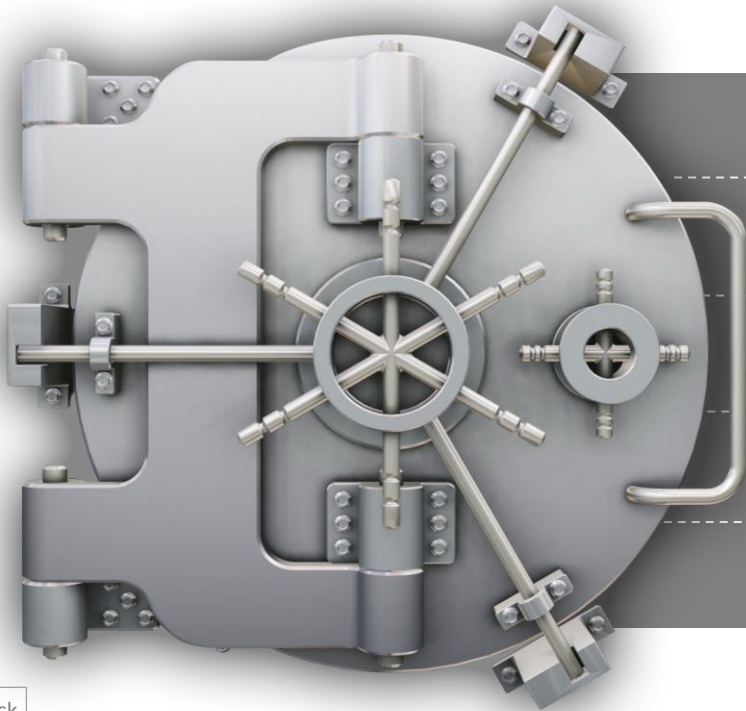
SEAMLESS EXTENSION OF INTERNAL CUSTOMER RELATIONS DEPARTMENT

- ▶ Brand immersion aligning talent, culture and skill set
- ▶ Phone, eMail, live chat
- ▶ State-of-the-art technology providing detailed reports
- ▶ iCommerce Agent web based customer service portal
- ▶ Global locations with multi-lingual capabilities





COMPREHENSIVE GLOBAL PAYMENTS AND FRAUD MANAGEMENT



- ▶ Secure online payment processing with PCI compliance
- ▶ Google, PayPal & gift card integrations
- ▶ Aggressive fraud management tools and support staff
- ▶ Comprehensive U.S. state sales tax support
- ▶ Global financial services with foreign currencies & VAT



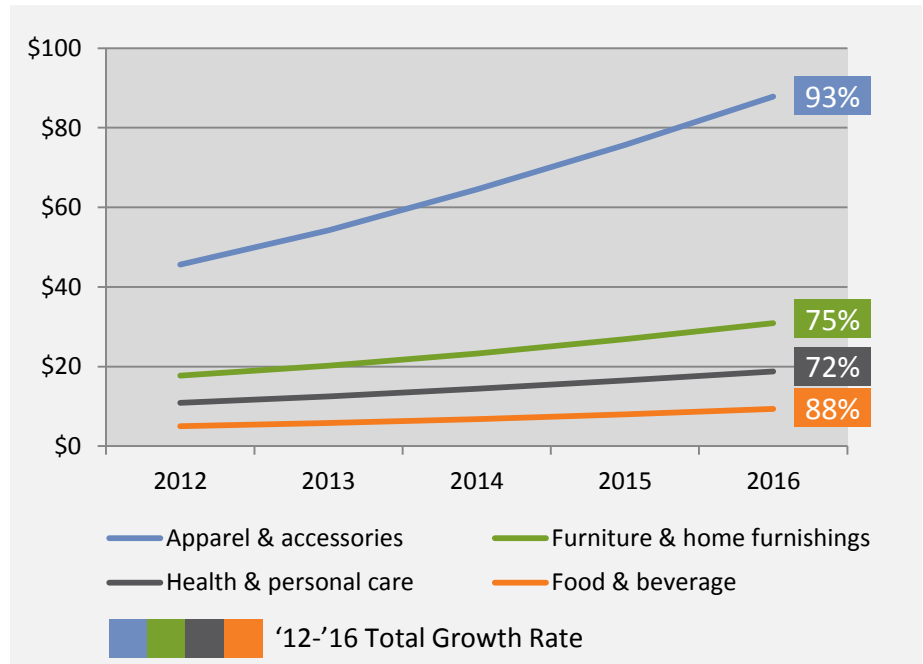
What is driving growth?

FOUR YEAR STRATEGIC GROWTH

We see growth opportunity through several strategic initiatives

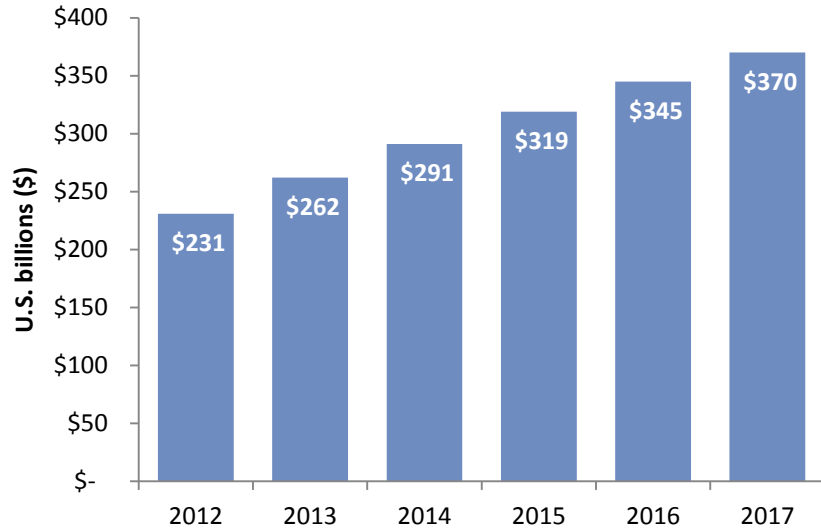
- ▶ Strong web commerce macro-Industry growth in both domestic and international markets, particularly in manufacturer direct to consumer initiatives
- ▶ Organic growth from existing clients as well as new client additions particularly in our targeted industry segments of CPG, Fashion, Health & Beauty and Home Goods
- ▶ Bringing to market new omni-channel commerce technology initiatives 
- ▶ Broadening our range of services to drive higher margins and longer client life cycles
- ▶ Global expansion

U.S. Retail eCommerce Sales, by Product Category (in billions)



THE eCOMMERCE MARKET IS CONTINUING TO RAPIDLY EXPAND

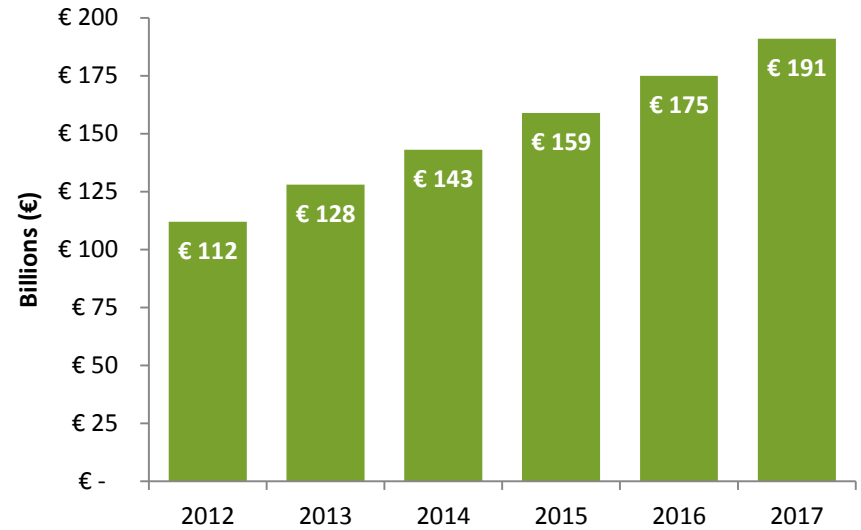
U.S. Online Retail Forecast



| | | | | | | |
|-------------------------|-----|-----|-----|-----|-----|-----|
| YoY Growth | 14% | 13% | 11% | 10% | 8% | 7% |
| % of total retail sales | 8% | 8% | 9% | 10% | 10% | 10% |

Source: Forrester Online Retail Forecast, 2012 to 2017 (US)

European Online Retail Forecast



11% Growth

Source: Forrester Research Online Retail Forecast, 2012 To 2017 (Western Europe)

ACQUISITION STRATEGY

- ▶ **Pure-play Digital Agency**
 - Strategy, design, engagement, search, etc.
- ▶ **Technology Services – System Integrator**
 - Geographic & platform expansion
- ▶ **Technology Provider**
 - Social commerce, CRM, tag management, etc.
- ▶ **Technology Component**
 - Store integration, affiliate management, mobile commerce/POS, etc.



Who is PFSweb's Competition?



Competitive Market Overview

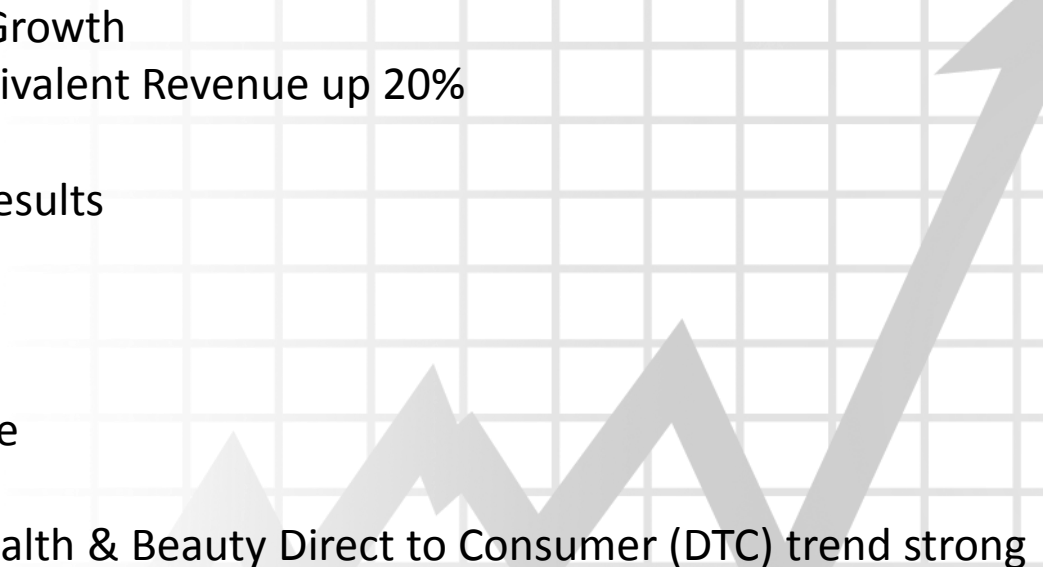
- Compete & Cooperate
- Integrate & Innovate
- Develop & Deliver



A close-up photograph of a string of beads. The beads are arranged in a slightly curved line, alternating between light-colored wooden beads and dark, possibly black, beads. The lighting is soft, highlighting the texture of the wood and the smooth surface of the dark beads. A green arrow-shaped banner is overlaid on the right side of the image, pointing left towards the center.

Financial Overview

RECENT DEVELOPMENTS

- ▶ Strong Service Fee Revenue Growth
 - CY12 Service Fee Equivalent Revenue up 20%
 - ▶ Improving Adjusted EBITDA results
 - CY 11 \$6.1M
 - CY 12 \$12.0M
 - ▶ Exciting new business pipeline
 - Over \$45M pipeline
 - CPG, Fashion, and Health & Beauty Direct to Consumer (DTC) trend strong
- 

PFSweb CORPORATE SEGMENT OVERVIEW

PFSW

Total Revenue: \$240M^(c) | Service Fee Equivalent: \$130M | Adjusted EBITDA: \$12M

PFSweb Services

Merchandise Sales \$1,650M^(A)

GAAP Revenue \$120M^(A)

Service Fee Equivalent Revenue \$120M^(A)

Infrastructure Services (TARGET OF 20-30% GP)



Agency Services (TARGET OF 35-50% GP)

DIAGEO

Technology Services (TARGET OF 30-50% GP)



Retail & Supplies Distributors

Merchandise Sales \$120M^(A)

GAAP Revenue \$120M^(A)

Service Fee Equivalent Revenue \$10M^{(A)(B)}

Direct to Consumer (TARGET OF 15-30% GP)

eStore Retail Services

- Procurement
- Merchandising
- Pricing
- Program Management

P&G

Business to Business (TARGET OF 6-8% GP)

RICOH
InfoPrint Solutions

Supplies Distributors

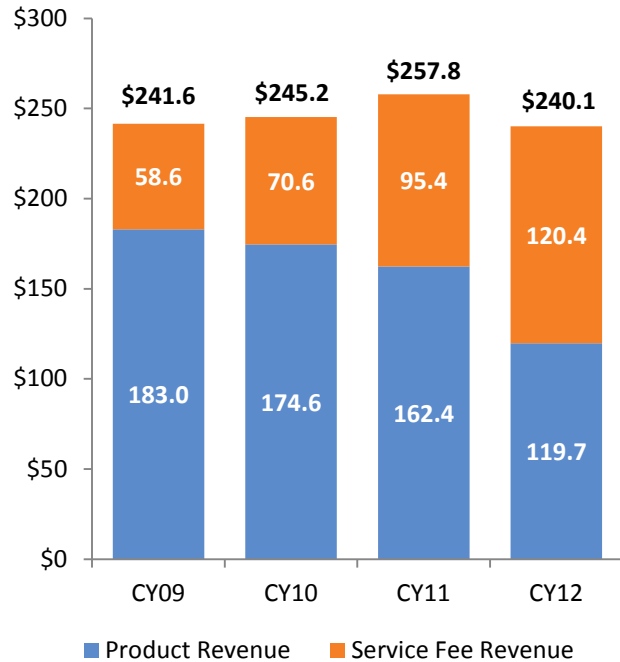
- Distribution Agreements
- Channel Management



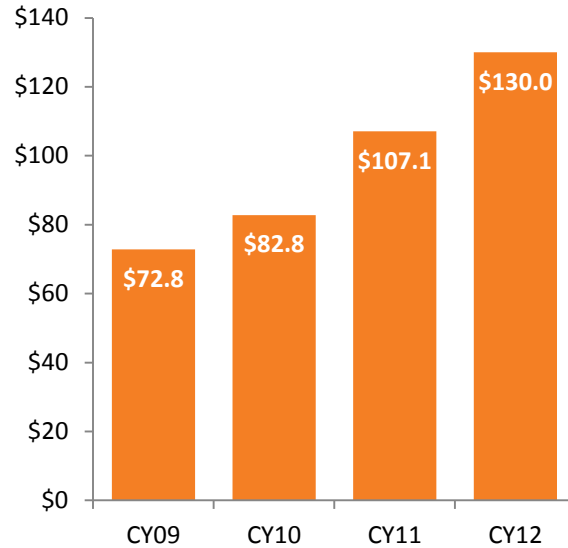
(A) 2012 Actual Results
 (B) Represents gross profit earned on product revenue (C) Excludes pass-through revenue

HISTORIC FINANCIAL OVERVIEW (\$ IN MILLIONS)

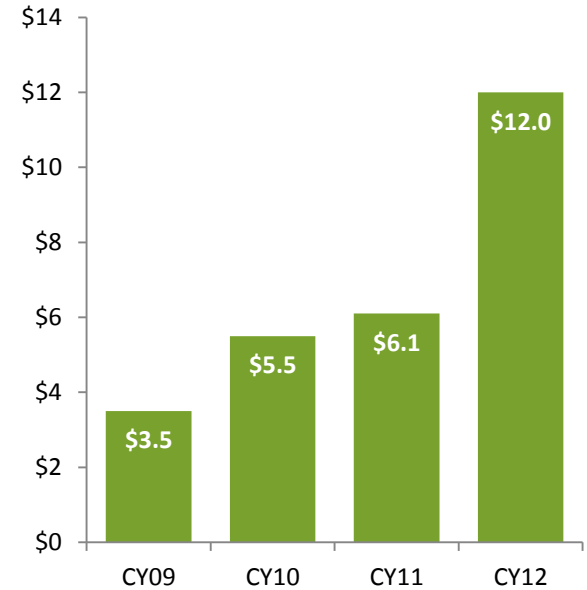
Revenue (A)



Service Fee Equivalent Revenue (A)



Adjusted EBITDA



(A) Excludes Pass-through revenue

CY2013 Year of Transition

- ▶ Certain client transition activity expected to negatively impact near term revenue performance
- ▶ Management and operational changes aimed to drive business efficiencies and cost reductions
- ▶ Increased emphasis on higher margin services
- ▶ Substantial leverage ability allows for expanding Adjusted EBITDA margins as we grow
- ▶ Increased alignment of management performance and shareholder value

CY2013 Targets

- | | |
|----------------------------------|------------------|
| ▶ Service Fee Equivalent Revenue | \$110M to \$115M |
| ▶ Adjusted EBITDA | \$8M to \$10M |

SELECTED CONSOLIDATED BALANCE SHEET DATA (IN THOUSANDS)

| Assets | December 31, 2011 | December 31, 2012 |
|----------------------------------|-------------------|-------------------|
| Cash & Restricted Cash | \$18,522 | \$19,909 |
| Accounts Receivable | 52,679 | 45,684 |
| Inventories | 30,487 | 24,654 |
| Property & Equipment, Net | 14,945 | 27,917 |
| Other | 19,739 | 15,307 |
| Total Assets | <u>\$136,372</u> | <u>\$133,471</u> |
| Liabilities | | |
| Accounts Payable | \$48,544 | \$40,493 |
| Accrued Expenses/L-T Liabilities | 32,232 | 42,867 |
| Debt | 27,522 | 22,060 |
| Total Liabilities | <u>\$108,298</u> | <u>\$105,420</u> |
| Shareholders Equity | <u>\$28,074</u> | <u>\$28,051</u> |

ILLUSTRATIVE FINANCIAL MODEL (\$ IN 000'S)

| | Run Rate | Potential Financial Model | |
|--|----------------------|---------------------------|------------------|
| Service Fee Revenue ⁽²⁾ | \$120,433 | \$175,000 | \$250,000 |
| Product Revenue (DTC & B2B) | 119,740 | 75,000 | 50,000 |
| Total Revenue (GAAP) ⁽²⁾ | <u>\$240,173</u> | <u>\$250,000</u> | <u>\$300,000</u> |
| Service Fee Revenue | \$120,433 | \$175,000 | \$250,000 |
| Gross Margin on Product Revenue | 9,557 ⁽³⁾ | 6,000 | 4,000 |
| Service Fee Equivalent (“SFE”) Revenue (Non-GAAP) | <u>\$129,990</u> | <u>\$181,000</u> | <u>\$254,000</u> |
| Client Direct Operating Costs (Excluding D & A) ⁽⁴⁾ | <u>\$88,910</u> | <u>\$125,000</u> | <u>\$176,000</u> |
| Client Contribution | \$41,080 | \$56,000 | \$78,000 |
| SG&A, excluding D & A, as adjusted ⁽⁴⁾ | <u>29,070</u> | <u>\$34,000</u> | <u>42,000</u> |
| Adjusted EBITDA | \$12,010 | \$22,000 | \$36,000 |
| Adjusted EBITDA Margin % of Service Fee Equivalent Revenue | 9% | 12% | 14% |

1. Based on CY 2012 financial results

2. Excludes Pass-through revenue

3. Product revenue of \$119,740 less cost of product revenues of \$110,183 results in gross profit of \$9,557, or 8.0% of product revenue

4. Excluding depreciation and amortization, stock compensation and relocation related costs, and adjusted for SG&A costs applicable to product revenue activity

EXPERIENCED LEADERSHIP TEAM



Mike Willoughby
CEO



Dave Reese
SVP Global Operations



Cindy Almond
EVP Client Services



Tom Madden
CFO

PFSweb PRESENTS A COMPELLING INVESTMENT OPPORTUNITY

- ▶ **Global Commerce Leader**
 - One of two full-service eCommerce providers offering a global end-to-end solution
- ▶ **Significant Barriers to Entry**
 - Millions of hours to develop
 - \$100M+ to replace
 - Global reach
- ▶ **Strong Growth Potential**
 - Online DTC sales of manufacturers consumer products will drive next wave of growth
 - Significant growth potential from large, newly adopting industries
- ▶ **Iconic Brands validate the value of our services offering**
 - Long-term contracts with recurring revenue streams
 - Relationship developed over years of service
- ▶ **Sound financial position**
 - Approximately \$20 million in cash and restricted cash as of December 2012
- ▶ **Highly Attractive Overall Financial model**
 - Significant growth opportunities + improving margin mix + operating leverage = dramatically improving EBITDA potential





Questions

Thank you for your time!!!





1.7765

1.7855

1.78

1.7765

08.47

11.12

14.56

19.00

05.14

08.47

11.12

1.7765

Financial Exhibits

ANNUAL EBITDA AND NON-GAAP NET INCOME (LOSS) RECONCILIATION FROM GAAP RESULTS

A reconciliation of Net Income (Loss) to EBITDA, Adjusted EBITDA and Non-GAAP Net Income (Loss) follows:

| | 2009 Cons | 2010 Cons | 2011 | | | | 2012 | | | | YTD Cons | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|---------------|-----------------|---------------|---------------|-----------------|---------------|----------------|
| | | | March Cons | June Cons | Sept Cons | Dec Cons | 2011 Cons | March Cons | June Cons | Sept Cons | | Dec Cons |
| Net Income (Loss) | \$ (4.6) | \$ (7.4) | \$ (2.3) | \$ (1.2) | \$ (1.8) | \$ 0.8 | \$ (4.6) | \$ (1.3) | \$ (0.5) | \$ (0.4) | \$ 0.7 | \$ (1.5) |
| (Income) loss from discontinued operations, net of tax | (0.3) | 4.0 | 0.6 | - | - | 0.3 | 0.9 | - | - | - | - | - |
| Income tax expense | 0.3 | 0.5 | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.1 | 0.2 | 0.2 | 0.2 | 0.6 |
| Interest expense | 1.2 | 0.9 | 0.2 | 0.3 | 0.3 | 0.3 | 1.1 | 0.3 | 0.2 | 0.2 | 0.2 | 1.0 |
| Depreciation and amortization | 6.5 | 6.1 | 1.5 | 1.5 | 1.5 | 1.8 | 6.3 | 2.1 | 2.2 | 2.5 | 2.4 | 9.2 |
| EBITDA | \$ 3.1 | \$ 4.1 | \$ 0.1 | \$ 0.7 | \$ 0.1 | \$ 3.3 | \$ 4.1 | \$ 1.2 | \$ 2.1 | \$ 2.5 | \$ 3.5 | \$ 9.3 |
| Stock-based compensation | 0.4 | 0.8 | 0.3 | 0.4 | 0.3 | 0.3 | 1.4 | 0.3 | 0.4 | 0.3 | 0.3 | 1.3 |
| Executive disability benefits | - | 0.7 | - | - | - | - | - | - | - | - | - | - |
| Move related expenses | - | - | - | - | 0.3 | 0.2 | 0.5 | 0.6 | 0.3 | - | - | 0.9 |
| Lease termination costs | - | - | - | - | - | - | - | 0.5 | - | - | - | 0.5 |
| Adjusted EBITDA | \$ 3.5 | \$ 5.6 | \$ 0.5 | \$ 1.1 | \$ 0.7 | \$ 3.9 | \$ 6.1 | \$ 2.6 | \$ 2.8 | \$ 2.8 | \$ 3.8 | \$ 12.0 |
| Net Income (Loss) | \$ (4.6) | \$ (7.4) | \$ (2.3) | \$ (1.2) | \$ (1.8) | \$ 0.8 | \$ (4.6) | \$ (1.3) | \$ (0.5) | \$ (0.4) | \$ 0.7 | (1.5) |
| (Income) loss from discontinued operations, net of tax | (0.3) | 4.0 | 0.6 | - | - | 0.3 | 0.9 | - | - | - | - | - |
| Stock-based compensation | 0.4 | 0.8 | 0.3 | 0.4 | 0.3 | 0.3 | 1.4 | 0.3 | 0.4 | 0.3 | 0.3 | 1.3 |
| Executive disability benefits | - | 0.7 | - | - | - | - | - | - | - | - | - | - |
| Move related expenses | - | - | - | - | 0.3 | 0.2 | 0.5 | 0.6 | 0.3 | - | - | 0.9 |
| Lease termination costs | - | - | - | - | - | - | - | 0.5 | - | - | - | 0.5 |
| Non-GAAP Net Income (Loss) | \$ (4.5) | \$ (1.9) | \$ (1.4) | \$ (0.8) | \$ (1.2) | \$ 1.6 | \$ (1.8) | \$ 0.1 | \$ 0.2 | \$ (0.1) | \$ 1.0 | \$ 1.1 |

CLIENT DIRECT OPERATING COSTS AND SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Reconciliation of (1) Cost of Service Fee Revenue to Client Direct Operating Costs, excluding Depreciation and Amortization, and (2) Selling, General and Administrative Expenses (“SG&A”) to SG&A, excluding Depreciation and Amortization, as Adjusted.

| | 2012 | |
|------------------------------------|------------------------|------------------------|
| | Cost of Service | |
| | Fee Revenue | SG&A |
| | <hr/> | <hr/> |
| December 31, As Reported | \$ 89,249 | \$ 40,620 |
| Less: Depreciation & Amortization | (5,295) | (3,953) |
| ! Stock-based Compensation | - | (1,325) |
| Lease termination costs | - | (450) |
| Move related expenses | - | (866) |
| SGA Related to Direct Client Costs | 4,956 | (4,956) |
| As Adjusted | <hr/> \$ 88,910 | <hr/> \$ 29,070 |

RECONCILIATION OF SERVICE FEE EQUIVALENT REVENUE

| | Twelve Months Ended | | |
|---------------------------------------|---------------------|-------------------|-------------------|
| | December 31, | | |
| | 2010 | 2011 | 2012 |
| Total Revenues | \$ 274,516 | \$ 298,766 | \$ 281,563 |
| Pass-through revenue | (29,267) | (40,974) | (41,390) |
| ! Cost of product revenue | (162,485) | (150,738) | (110,183) |
| Service Fee Equivalent Revenue | <u>\$ 82,764</u> | <u>\$ 107,054</u> | <u>\$ 129,990</u> |