



Tantalus Systems Holding Inc. Reports Financial Results for Q3 of 2022

Burnaby, BC – November 9, 2022 — Tantalus Systems (TSX: GRID) (“Tantalus” or the “Company”), a smart grid technology company focused on helping build sustainable utilities for the future, is pleased to announce its financial and operating results for the third quarter ended September 30, 2022.

“Our team made good progress during Q3 in executing our 2022 plan despite delivering mixed financial results that are reflective of the challenging business environment. While revenue grew in the quarter, we did not meet our internal expectations due to production delays. We are pleased, however, to demonstrate 12% growth during the first nine months of the year ended September 30, 2022 and are reaffirming our guidance to deliver at least 20% revenue growth in 2022,” stated Peter Londa, President & CEO of Tantalus. “Our gross profit margin remained strong despite navigating through inflationary pressures and that strength has enabled our business to continue to make R&D investments to bring our new TRUSense™ Gateway, data analytics and C.IQ™ offerings to the market. Management is proactively managing our cost structure and striving to revert back to delivering positive Adjusted EBITDA in future reporting periods.”

Consolidated Financial Highlights¹:

- Revenue² in the quarter increased by 6% year-over-year to \$9.1 million for the quarter. Revenue through the first nine months of the year increased by 12% year-over-year to \$27.4 million.
- Gross Profit³ Margin of 53% for the quarter reflects a new all-time high for the Company.
- Adjusted EBITDA⁴ improved to (\$0.4 million) in the quarter as compared to (\$1.5 million) in the prior quarter. The Company continues to make near-term R&D investments to drive key growth initiatives.
- The Company had total assets amounting to \$34.2 million, inclusive of \$5.7 million in cash. Adjusted Working Capital⁵ was \$4.2 million.

“We continue to witness strong tailwinds across the industry, as utilities seek to prepare for the accelerated adoption of electric vehicles (EVs) while also leveraging data to protect their power

¹ Financial information is reported in United States dollars (“\$”) unless otherwise stated and in accordance with International Financial Reporting Standards (“IFRS”).

² Unless otherwise stated Q3, 2022 results are compared to the same period in 2021.

³ See “Non-IFRS and Other Financial Measures.”

⁴ See “Non-IFRS and Other Financial Measures.”

⁵ See “Non-IFRS and Other Financial Measures.”

transformer fleets,” said Londa. As recently outlined by American Public Power Association (APPA), the National Rural Electric Cooperative Association (NRECA) and the United States Department of Energy (DOE), the [availability](#) of power [transformers](#) continues to be impacted by ongoing [supply chain constraints](#) and was further compromised by the damage caused by Hurricane Ian in Florida. “The need for utilities to prepare for the future of electrification, particularly with respect to the transportation sector, while also fortifying existing assets is driving increased activity and demand for our solutions,” said Londa.

The Company will hold a conference call and webcast to discuss the financial results on Thursday, November 10, 2022, at 11:00 am Eastern Time.

Conference Call

Participant Dial In (Toll Free) 1-844-854-4410

Participant International Dial In 1-412-317-5791

Please ask to join the Tantalus Systems earnings call.

Webcast

<https://event.choruscall.com/mediaframe/webcast.html?webcastid=MRCE4wbW>

Replay Information

A conference call replay will be available until November 17, 2022. The webcast will be available until November 10, 2023, at the link set out above. To access the conference call replay, please see details below:

US Toll Free: 1-877-344-7529

International Toll: 1-412-317-0088

Canada Toll Free 1-855-669-9658

Replay Access Code 2184628

Financial Statements and Management Discussion & Analysis

Please see the Company’s consolidated financial statements (“Financial Statements”) and related Management’s Discussion & Analysis (“MD&A”) for more details. The Financial Statements for the three and nine months ended September 30, 2022, and related MD&A have been reviewed and approved by Tantalus’ Audit Committee and Board of Directors. For a more detailed explanation and analysis, please refer to the MD&A that has been filed on SEDAR at www.sedar.com and is also available on the Company’s website at www.tantalus.com.

Non-IFRS and Other Financial Measures

This press release refers to the following non-IFRS measures:

“EBITDA” is comprised as income (loss) less interest, income tax and depreciation and amortization. Management believes that EBITDA is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. “Adjusted EBITDA” is comprised as income (loss) less interest, income tax, depreciation, amortization, stock-based compensation, foreign exchange gain (loss) and other income / expenses not attributable to the operations of the Company. Management believes that Adjusted EBITDA is a useful indicator for investors, and is used by management, in evaluating

the operating performance of the Company. See “Reconciliation of Net (Loss) / Income to Adjusted EBITDA” for a quantitative reconciliation of Adjusted EBITDA to the most directly comparable financial measure.

“Gross Profit” is comprised as the Company’s revenues less cost of sales. Management believes that Gross Profit is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company. See “Gross Profit Reconciliation” for a quantitative reconciliation of Gross Profit to the most directly comparable financial measure. This press release refers to “Gross Profit Margin” which is a non-IFRS ratio. Gross Profit Margin is comprised of Gross Profit expressed as a percentage of the Company’s revenues. Management believes that Gross Profit Margin is a useful indicator for investors, and is used by management, in evaluating the operating performance of the Company.

“Adjusted Working Capital” is comprised as current assets less current liabilities exclusive of the Company’s bank loan. Management believes Adjusted Working Capital is a useful indicator for investors, and is used by management, for evaluating the operating liquidity to the Company. See “Adjusted Working Capital Reconciliation” for a quantitative reconciliation of Adjusted Working Capital to the most directly comparable financial measure.

“Recurring Revenue” is comprised of the Company’s revenues that are recurring in nature and attributable to its analytics and other software as a service (“SaaS”) offerings, hosting services and software maintenance and technical support agreement services. “Annual Recurring Revenue” or “ARR” is comprised of the Company’s Recurring Revenue as expressed on an annualized revenue basis attributable to its customer agreements at a point in time.

Such non-IFRS measures and non-IFRS ratio do not have a standardized meaning under IFRS and may not be comparable to a similar measure disclosed by other issuers.

Gross Profit Margin Reconciliation

	Three months ended September 30, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2022		Nine months ended September 30, 2021	
	\$	%	\$	%	\$	%	\$	%
Revenue	\$ 9,071,109	100%	\$ 8,536,822	100%	\$ 27,438,051	100%	\$ 24,561,415	100%
Cost of sales	4,283,858	47%	4,932,219	58%	14,065,892	53%	13,562,715	54%
Gross Profit	\$ 4,787,251	53%	\$ 3,604,603	42%	\$ 13,372,159	47%	\$ 10,998,700	46%

Reconciliation of Net (Loss) to Adjusted EBITDA

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Loss for the period	\$ (1,154,597)	\$ (1,339,739)	\$ (5,354,626)	\$ (4,855,397)
Finance expense (a)	283,137	142,999	772,372	482,817
Income taxes	-	-	30,983	-
Depreciation and amortization	535,359	381,475	1,579,753	1,263,079
EBITDA	(336,101)	(815,265)	(2,971,518)	(3,109,501)
Stock-based compensation (b)	198,814	64,454	603,810	322,930
Foreign exchange (c)	(246,836)	95,276	(753,461)	99,202
Congruitive acquisition related costs (d)	-	75,000	586,960	75,000
RiseTech reverse acquisition listing expense (e)	-	-	-	1,188,175
Reverse acquisition legal, professional and related costs (e)	-	-	-	964,484
Adjusted EBITDA	\$ (384,123)	\$ (580,535)	\$ (2,534,209)	\$ (459,710)

(a) Finance expense comprised of interest and related finance expense on bank loans and lease liabilities.

- (b) Share-based non-cash compensation expense.
- (c) Foreign exchange comprised of unrealized (gain) / loss from non-functional currency assets and liabilities.
- (d) General and administrative expenses pertaining to the Company's acquisition of Congruitive.
- (e) Reverse acquisition listing expense comprised of excess purchase price over RiseTech net assets acquired and costs.

Adjusted Working Capital Reconciliation

Adjusted Working Capital	September 30, 2022	December 31, 2021
Total current assets	\$ 19,925,342	\$ 26,427,657
Less: current liabilities	<u>(23,821,887)</u>	<u>(20,953,001)</u>
	(3,896,545)	5,474,656
Add: Bank loans - current portion	<u>8,120,000</u>	<u>8,100,000</u>
Adjusted Working Capital	<u>\$ 4,223,455</u>	<u>\$ 13,574,656</u>

About Tantalus Systems Holding Inc. (TSX: GRID)

Tantalus Systems is a smart grid technology company that transforms aging one-way grids into future-proofed, multi-directional grids that improve the efficiency, reliability and sustainability of public power and electric cooperative utilities and the communities they serve. Tantalus solutions are purpose-built to allow utilities to restore power quickly after major disruptions, adapt to rapidly shifting consumer expectations, innovate new solutions for distributed energy resources, and evolve grid infrastructure at their own pace without needless cost or complexity. Tantalus is committed to giving its user community the flexibility needed to get the most value from existing infrastructure investments while planning for future requirements. Learn more at www.tantalus.com.

Forward-Looking Statements:

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions. Forward-looking information in this news release includes statements such as those relating to: increasing demand for the Company's solutions going forward arising from the need for utilities to prepare for the future of electrification, particularly with respect to the transportation sector through EVs, while also fortifying existing assets, the adoption, performance and development of the Company's solutions, including the TRUSense Gateway, data analytics and C.IQ offerings, managing the Company's cost structure to allow a return to positive Adjusted EBITDA, and growing revenue year-over-year by at least 20% in 2022.

To the extent any forward-looking information in this news release constitutes a "financial outlook" within the meaning of securities laws, such information is being provided because management's estimate of the future financial performance of Tantalus is useful to investors, and readers are cautioned that this information may not be appropriate for any other purpose and that they should not place undue reliance on such information.

In connection with the forward-looking information contained in this news release, Tantalus has made numerous assumptions, regarding, among other things: the expected impact of COVID-19, the expected impact of supply chain constraints, the expected impact of inflationary pressures on costs and the expected timing of new product introductions. While Tantalus considers these assumptions to be reasonable, these

assumptions are inherently subject to significant uncertainties and contingencies. Additionally, there are known and unknown risk factors which could cause Tantalus' actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. A complete discussion of the risks and uncertainties facing Tantalus is disclosed under the heading "Risk Factors" in the Tantalus' Annual Information Form dated March 23, 2022, as well as those risk factors included with Tantalus' continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward-looking information herein is qualified in its entirety by this cautionary statement, and Tantalus disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.

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