



Tantalus Systems Holding Inc. Reports Financial Results for Q3 of 2023 *Continues to deliver revenue growth, strong gross profit margin and positive Adjusted EBITDA*

Burnaby, BC – November 7, 2023 — 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 quarter ended September 30, 2023 (“Q3”).

Financial Highlights for Q3¹:

- **Revenue:** Generated \$10.1 million (CND\$13.6 million), representing 12% growth over the prior year period. Revenue in Q3 from the Utility Software Applications and Services segment (“Software & Services”) represented 37% of total revenue in the quarter, equaling the highest percentage contribution in the Company’s history.

Coupled with its first and second quarter revenue results, the Company set a new milestone for revenue generated during the first nine months of a year at \$31.8 million (CND\$42.8 million).

- **Annual Recurring Revenue (ARR)²:** Grew to approximately \$11.0 million (CND\$14.9 million), representing 21% growth over the prior year period. Recurring Revenue recognized in the quarter represented approximately 25% of total Q3 revenue.
- **Gross Profit² Margin:** Delivered 53% for the quarter, which was on par with the prior year period.
- **Adjusted EBITDA²:** Delivered \$0.1 million (CND\$0.1 million) of positive Adjusted EBITDA as compared to negative \$0.4 million (negative CND\$0.5 million) for the prior year period. The Company delivered positive Adjusted EBITDA while continuing its significant investment in the commercialization of the TRUSense™ Gateway, a turnkey solution designed to accelerate utilities’ modernization of the electric distribution grid.
- **Total Assets:** Ended the quarter with \$36.4 million (CND\$49.3 million) as compared to \$37.4 million (CND\$50.7 million) as of December 31, 2022.

¹ Financial information is reported in United States dollars (“\$”) unless otherwise stated and in accordance with International Financial Reporting Standards (“IFRS”). Where balances are also expressed in Canadian dollars (“CND\$”) in this press release, an average foreign exchange rate of 0.7457 and 0.7432 for the three and nine months ended September 30, 2023 (0.7662 and 0.7798 for three and nine months ended September 30, 2022) for income statement items and a foreign exchange rate of 0.7396 as at September 30, 2023 (0.7296 as at September 30, 2022 and 0.7383 as of December 31, 2022) for balance sheet items has been applied.

² See “Non-IFRS and Other Financial Measures.”

- **Sales Orders:** The Company converted an additional \$5.0 million (CND\$6.7 million) in orders from its sales pipeline and increased its user community to 285 utilities through Q3. The Company set a new milestone for orders converted during the first nine months of the year by securing \$27.6 million (CND\$37.1 million) in orders through September 30th.

“Q3 represented another strong quarter for Tantalus,” said Peter Londa, President & CEO of Tantalus. “We are pleased to maintain our trajectory of reverting back to positive Adjusted EBITDA while also investing in the commercialization of the TRUSense Gateway and the Congruitive software capabilities. We continue to believe these investments in R&D represent a substantial near- and long-term opportunity for the company.”

The Company will hold a conference call and webcast to discuss the financial results on Wednesday, November 8, 2023, 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

Webcast

Webcast URL: <https://event.choruscall.com/mediaframe/webcast.html?webcastid=ZITaGepQ>

Replay Information

A conference call and webcast replay will be available until November 15, 2023. 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: 2048739

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, 2023, 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.sedarplus.ca 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 and contingent consideration on the Congruitive acquisition. 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”) offering, 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, 2023		Three months ended September 30, 2022		Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	\$	%	\$	%	\$	%	\$	%
Revenue	10,143,287	100%	9,071,109	100%	31,776,890	100%	27,438,051	100%
Cost of sales	4,718,621	47%	4,283,858	47%	15,245,911	48%	14,065,892	51%
Gross Profit	5,424,666	53%	4,787,251	53%	16,530,979	52%	13,372,159	49%

Reconciliation of Net (Loss)/Income to Adjusted EBITDA

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Loss income for the period	\$ (797,319)	\$ (1,154,597)	\$ (3,376,028)	\$ (5,354,626)
Finance expense (a)	396,646	283,137	1,140,412	772,372
Income taxes	-	-	23,725	30,983
Depreciation and amortization	461,728	535,362	1,380,112	1,579,756
EBITDA	61,055	(336,098)	(831,779)	(2,971,515)
Stock-based compensation (b)	105,302	198,814	330,249	603,810
Foreign exchange (c)	(58,456)	(246,839)	88,977	(753,464)
Congruitive acquisition related costs (d)	-	-	-	586,960
EDC Loan related legal costs (e)	-	-	80,000	-
Government subsidy (f)	(44,681)	-	(44,681)	-
Adjusted EBITDA	\$ 63,220	\$ (384,123)	\$ (377,234)	\$ (2,534,209)

(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) Legal fees pertaining to the EDC Loan.

(f) United States Employee Retention Tax Credit (ERTC).

Adjusted Working Capital Reconciliation

Adjusted Working Capital	September 30, 2023	December 31, 2022
Total current assets	\$ 23,031,109	\$ 22,794,298
Less: current liabilities	(30,288,159)	(29,496,580)
	(7,257,050)	(6,702,282)
Add: Bank loans - current portion	7,369,311	9,200,000
Add: Contingent consideration	2,458,702	-
Adjusted Working Capital	\$ 2,570,963	\$ 2,497,718

About Tantalus Systems Holding Inc. (TSX: GRID)

Tantalus 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 utilities and the communities they serve. Our solutions are purpose-built to allow utilities to restore power quickly after major disruptions, adapt to rapidly shifting consumer expectations and population shifts, innovate new solutions based on the adoption of distributed energy resources and evolve their grid infrastructure at their own pace without needless cost or complexity. All this gives our user community the flexibility they need 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, the adoption, performance and development of the Company's solutions, such as the TRUSense Gateway and Congruitive software capabilities, and the benefits of investment in related R&D initiatives to support and accelerate growth for the Company in the near- and long-term.

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 31, 2023, as well as those risk factors included with Tantalus’ continuous disclosure filings with Canadian securities regulatory authorities available at www.sedarplus.ca. 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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