

Legend Power® Reports 2021 Financial Results

Vancouver, B.C., Canada – December 22, 2021 - Legend Power® Systems Inc. (TSX.V: LPS) (OTCQB: LPSIF) (“Legend Power” or the “Company”), a global leader in commercial electrical system solutions, today reported its fiscal year 2021 financial results. The Company has also scheduled a conference call to provide a business update and discuss its 2021 financial results for Wednesday, December 22, 2021 at 11:00 AM ET (8:00 AM PT) (details below). The call will be hosted by Randy Buchamer, President & Chief Executive Officer and Steve Vanry, Chief Financial Officer. A complete set of Financial Statements and Management’s Discussion & Analysis has been filed at www.sedar.com. All dollar figures are quoted in Canadian dollars.

Financial Highlights for Q4 2021 (quarter ending September 30, 2021)

- Revenue of \$193k versus \$347k in Q4 2020
- Adjusted EBITDA loss of \$1.02 million versus a \$569k loss in Q4 2020
- Net loss of \$1.03 million versus a \$769k loss in Q4 2020
- Cash of \$9.29 million, no debt, and \$10.15 million in working capital at September 30, 2021.

The trend of growing sales opportunities building over most of fiscal 2021 carried into Q4 providing the Company with a strong basis for near-term increases in bookings and revenue. A driver of new opportunities has been unsolicited engagement with prospective customers driven by strong referrals and testimonials from existing customers. The Company’s newly built channel sales team’s early ability to drive new business through existing relationships including with representatives of governmental agencies has significantly added to the Company’s sales opportunities. Additionally, the application for a major listing as an approved seller with the U.S. federal government could, if received, result in material growth of the Company’s addressable market size.

A backlog of booked orders has grown as SmartGATE Gen3 product delivery delays due to inventory procurement challenges in Q3 and Q4 has deferred recognition of a material amount of revenue.

Supply chain disruption and component price increases adversely impacted margins, but the Company is focused on working with existing and possible alternative suppliers of components to address both cost and timeliness in the Company’s supply chain.

The pace at which sales opportunities are crystallizing into bookings has not kept up with management expectations, but prospective sales are not being lost, simply delayed. The central reasons for delayed bookings are:

- Channel partners are invested in the process of understanding and assimilating Legend’s offering to their value proposition, however the time to secure channel partner product approval (including pilots etc) takes time, but interest and commitment to work with Legend continues to grow;
- Channel deals are typically larger opportunities with lengthier timelines, but are of significant enough size to put the Company back on track to meet it’s 2022 bookings goals;
- Supply chain delays have caused some already approved deals to be pushed to subsequent budgeting cycles for certain customers;

- Increases in the Company's pricing in some cases have resulted in customers returning to their internal procurement phase for re-approval of the increase over previously committed funding;
- In spite of the acknowledged value of SmartGATE Insights and the resulting Power Impact Report, building owners and executives, after having been presented a personalized analysis for the first time need help understanding the impacts of poor power quality and how to solve these problems in a timely manner. This involves additional educational support after the report is delivered.

Financial summary for the three and twelve months ended September 30, 2021 and 2020

(Cdn\$, unless noted otherwise)	Three months ended September 30, 2021			Years ended September 30,		
	2021	2020	Change	2021	2020	Change
Revenue	193,254	346,697	(44)%	2,713,816	2,027,933	34%
Cost of sales	258,152	280,941	(8)%	2,142,565	1,529,964	40%
Gross margin ¹	(64,898)	65,756	(199)%	571,251	497,969	15%
Gross margin % ¹	(34)%	19%	(277)%	21%	25%	(14)%
Operating expenses	(1,181,493)	(951,264)	24%	(4,612,800)	(5,291,444)	(13)%
Adjusted EBITDA ²	(1,024,218)	(569,493)	80%	(3,115,861)	(4,228,194)	(26)%
Net loss	(1,034,529)	(769,444)	34%	(3,837,766)	(4,783,511)	(20)%

¹ Gross margin is based on a blend of both equipment and installation revenue.

² Adjusted EBITDA is a non-IFRS financial measure.

Revenue for the fourth quarter of 2021 was \$193,254 down from 346,697 in the same quarter of fiscal 2020. Revenue for the year ended September 30, 2021 was \$2,713,816 up 34% from \$2,027,933 in fiscal 2020. Lower revenue for the three months ended September 30, 2021 was primarily impacted by delayed deliveries to customers as a result of inventory shortages caused by supply chain challenges and to a lesser extent, the production ramp-up required for the Gen3 version of SmartGATE. Revenue for the year ended September 30, 2021 was up over fiscal 2020 due to a greater negative impact on sales from COVID-19 in fiscal 2020. Inventory supply chain delays continue to be a timing constraint on revenue recognition, but is expected to improve in fiscal 2022.

Gross margin in the fourth quarter of fiscal 2021 was negative 34%, compared with 19% in same quarter of fiscal 2020. Gross margin for the year ended September 30, 2021 was 21% compared with 25% in the same period of fiscal 2020. The negative margin realized during Q4 of fiscal 2021 was due in most part to a charge of \$117,134 taken for obsolete and slow moving inventory attributable to components used to assemble earlier versions of SmartGATE. The lower margin realized in fiscal 2021 was due primarily to pricing associated with a 20-unit order from one of the Company's largest customers. Management believes that in the short-term, margins may continue to be impacted by widespread supply chain challenges, COVID-19 supplier surcharges, and component raw material (metal) costs, but as the Company scales through fiscal 2022 and supply chains return to normal, and sales bookings convert to revenue, margins should improve and be closer to long-term average results.

The Company's operating expenses for the fourth quarter of fiscal 2021 were \$1,181,493, up 24% from \$951,264 in the same quarter of fiscal 2020. Operating expenses for the year ended September 30, 2021 were \$4,612,800 down from \$5,291,444 fiscal 2020. The primary cause for the increase in total operating costs during Q4 2021 was the fact that during Q4 of 2020 the Company was still operating under COVID-19 cost cutting measures and receiving government subsidies offset somewhat by a warranty expense recovery realized in the current quarter. The decrease in the year over year fiscal periods is the result of COVID-19 cost cutting measures still in effect during Q1 and Q2 of fiscal 2021 offset slightly by higher product development and share based compensation expense.



Adjusted EBITDA for the fourth quarter of fiscal 2021 was negative \$1,024,218, compared with negative \$569,493 in the same period of fiscal 2020. Adjusted EBITDA for the year ended September 30, 2021 was negative \$3,115,861 compared with negative \$4,228,194 in fiscal 2020.

Net loss for the fourth quarter of fiscal 2021 was \$1,034,529, compared with a net loss of \$769,444 in the same quarter of fiscal 2020. Net loss for the year ended September 30, 2021 was \$3,837,766 compared with \$4,783,511 in fiscal 2020. The increase in net loss in the fourth quarter comparative periods was due to a negative gross margin of \$64,898 and higher operating costs in the current quarter as compared with Q4 of 2020. A higher gross margin and lower operating costs were the largest contributing factors to the significantly lower net loss in in the year over full fiscal year periods.

CONFERENCE CALL DETAILS:

DATE: Wednesday, December 22, 2021

TIME: 11:00 AM ET (8:00 AM PT)

DIAL-IN NUMBERS: North America Toll Free Dial-in Number (877) 201-0168
International Dial-in Number – (647) 788-4901

ONLINE LISTENING <https://onlinexperiences.com/Launch/QReg/ShowUUID=808B0407-FEEC-430E-86B6-883C181E325A>

CONFERENCE ID: 7782953

REPLAY: Available at: www.legendpower.com

About Legend Power® Systems Inc.

Legend Power® Systems Inc. (www.legendpower.com) provides an intelligent energy management platform that analyzes and improves building energy challenges, significantly impacting asset management and corporate performance. Legend Power's proven solutions support proactive executive decision-making in a complex and volatile business and energy environment. The proprietary and patented system reduces total energy consumption and power costs, while also maximizing the life of electrical equipment. Legend Power's unique solution is also a key contributor to both corporate sustainability efforts and the meeting of utility energy efficiency targets.

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