

Legend Power® Systems Reports Fiscal 2022 Financial Results

Vancouver, B.C., Canada – December 22, 2022 – Legend Power® Systems Inc. (TSX.V: LPS) (OTCQB: LPSIF) (“Legend Power” or the “Company”), a global leader in commercial electrical system solutions, reports its fiscal year 2022 financial results. The Company has also scheduled a conference call to provide a business update to discuss its 2022 financial results for today at 11:00 AM ET (8:00 AM PT) (details below). The call will be hosted by Randy Buchamer, President & Chief Executive 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 F2022 (quarter ending September 30, 2022)

- Revenue of \$578 thousand in Q4 F2022 versus \$193 thousand for the 3 months ending September 30, 2021 (Q4 F2021)
- Adjusted EBITDA loss of \$893 thousand versus a \$1.02 million loss in Q4 F2021
- Net loss of \$1.09 million versus a \$1.03 million loss in Q4 F2021
- Cash of \$3.09 million, no debt, and \$5.14 million in working capital at September 30, 2022.

Operational Highlights for Q4 F2022

- The Company achieved key milestones during the final quarter of the fiscal year with the most significant milestone being that Legend was selected for the U.S. General Services Administration (GSA) Regional Green Proving Ground program, where SmartGATE systems were evaluated and aid in the development of specifications and standards for GSA’s 1,800 federally owned buildings.
- The Company continued to commission new Gen3 SmartGATE systems and shipped twenty of its next-generation SmartGATE systems in F2022 and is proactively managing production and procurement to meet anticipated demand.
- Management continued to advance discussions with the City of New York’s Department of Central Administrative Services’ (DCAS) throughout the quarter following Legend being selected into the IDEA program earlier in the year. The first two installed SmartGATE systems [exceeded anticipated energy savings targets](#) and also surpassed expectations for protection from negative grid events.
- The engineering team continued to work on the system’s remote commands functionality, which allows the Company to communicate remotely with Gen3 SmartGATE units in the field and is the foundation of a “remote upgrade” feature.
- In addition, the engineering department worked on cost reduction strategies including identifying alternative suppliers and design optimization. Several cost-reduced designs are either in development or have been realized; savings will be realized once current stocks are depleted.
- In response to the continued increase in costs and on-going logistic disruptions, the Company has also increased selling prices. In addition, management initiated cost cutting measures earlier this year to reduce overall expenditures.

Subsequent Events to the Quarter

- As a result of the GSA testing, 3 Energy Services Companies (ESCOs) have written Legend's products and services into deal proposals, which could represent 300 SmartGATE systems.
- The Company has multiple channels right now driving results. The current sales booking pipeline is healthy and tracking to meet or potentially exceed target expectations for \$15 million in 2023.
- Strategic Direct sales efforts continue with growth in system bookings and new active sales opportunities in the pipeline. Continued progress on installation of Gen3 SmartGATE and positive Measurement and Verification Reports are expected to drive bookings growth in fiscal 2023.

Detailed Review of the Q4/F22 Financial Results

Financial summary for the three and twelve months ended September 30, 2022 and 2021

(Cdn\$, unless noted otherwise)	Three months ended September 30,			Years ended September 30,		
	2022	2021	Change	2022	2021	Change
Revenue	578,828	193,254	200%	2,118,033	2,713,816	(22)%
Cost of sales	517,931	258,152	101%	1,913,680	2,142,565	(11)%
Gross margin ¹	60,897	(64,898)	(194)%	204,353	571,251	(64)%
Gross margin % ¹	11%	(34)%	(131)%	10%	21%	(54)%
Operating expenses	(1,172,330)	(1,181,493)	(1)%	(5,570,858)	(4,612,800)	21%
Adjusted EBITDA ²	(893,159)	(1,024,218)	(13)%	(4,561,706)	(3,115,861)	46%
Net loss	(1,091,099)	(1,034,529)	5%	(5,346,171)	(3,837,766)	39%

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

² Adjusted EBITDA is a non-IFRS financial measure. See EBDITA Reconciliation for details.

Revenue for Q4 F2022 was \$578,828 compared with \$193,254 in Q4 F2021. The higher revenue during Q4 F2022 was primarily due to an increase in average revenue per unit. Revenue for the year ended September 30, 2022 was \$2,118,033 down from \$2,713,816 in fiscal 2021. The lower revenue in fiscal 2022 was due to a lower number of units sold; however, both deal size and average revenue per unit are increasing.

Gross margin in the Q4 F2022 was 11%, compared with negative 34% in Q4 F2021. Gross margin for the year ended September 30, 2022 was 10% compared to 21% in fiscal 2021. The negative margin realized during Q4 F2021 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. To a lesser extent, the charge against inventory during Q4 F2022 was \$57,044. Reduced margin in 2022 was due primarily to higher cost of goods sold driven by widespread supply chain challenges, COVID-19 supplier surcharges, increased installation costs, component cost increases and an inventory provision. In response to the continued increase in costs and on-going logistic disruptions, the Company has increased selling prices and implemented a new payment plan, driving long term gross margin improvement.

The Company's operating expenses for Q4 F2022 were \$1,172,330, down from \$1,181,493 in Q4 F2021. Operating expenses for the year ended September 30, 2022 were \$5,570,858 versus \$4,612,800 in fiscal



2021. The primary cause for the increase was higher salaries and consulting costs as the Company expanded its channel sales team and the fact that internal cost cutting measures were still in place during the prior fiscal year.

Adjusted EBITDA for the Q4 F2022 was negative \$893,159, compared with negative \$1,024,218 in Q4 F2021. For the year ended September 30, 2022, adjusted EBITDA was negative \$4,561,706 compared to negative \$3,115,861 in fiscal 2021.

Net loss for the Q4 F2022 was \$1,091,099, compared with a net loss of \$1,034,529 in Q4 F2021. Increased cost of goods sold, offset with an increase in selling price, and cost cutting measures taken resulted in a similar net loss year-over-year.

Cash at the end of the quarter was \$3.09 million. The Company has no debt and had working capital of \$5.14 million. Given the challenges in supply chain and shipping that companies are experiencing around the world, management has focused on continuing to take costs out of the business while taking advantage of the large growth opportunity as our customers and potential strategic partners look to deploy our solutions throughout buildings across North America.

CONFERENCE CALL DETAILS:

DATE: Thursday, December 22, 2022

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

DIAL-IN NUMBERS: North America Toll Free Dial-in Number (888) 396-8049

ONLINE LISTENING [Register for webcast participation](#)

CONFERENCE ID: 06596749

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.



For further information, please contact:

Jonathan Lansky, Director
+1 416 417 7664
lansky.j@icloud.com

Sean Peasgood, Investor Relations
+ 1 647 503 1054
sean@sophiccapital.com

Neither the TSX Venture Exchange nor the Investment Industry Regulatory Organization of Canada accepts responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements

This Press Release may contain statements which constitute “forward-looking information”, including statements regarding the plans, intentions, beliefs and current expectations of the Company, its directors, or its officers with respect to the future business activities and operating performance of the Company. The words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect” and similar expressions, as they relate to the Company, or its management, are intended to identify such forward-looking statements. Investors are cautioned that any such forward-looking statements are not guarantees of future business activities or performance and involve risks and uncertainties, and that the Company’s future business activities may differ materially from those in the forward-looking statements as a result of various factors. Such risks, uncertainties and factors are described in the periodic filings with the Canadian securities regulatory authorities, including the Company’s quarterly and annual Management’s Discussion & Analysis, which may be viewed on SEDAR at www.sedar.com. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results to not be as anticipated, estimated or intended. The Company does not intend, and does not assume any obligation, to update these forward-looking statements other than as may be required by applicable law.