

Nanalysis Reports Third Quarter 2022 Results

CALGARY, AB, Nov. 29, 2022 /CNW/ - [Nanalysis Scientific Corp.](#) ("the Company") (TSXV: NSCI) (OTCQX: NSCIF) (FRA: 1N1), a leader in portable NMR machines and MRI technology for healthcare and industrial applications, releases its second quarter results ending September 30, 2022. Chief Executive Officer, Sean Krakiwsky and Interim Chief Financial Officer, Randall McRae will host a conference call at 5 P.M. Eastern Time today to discuss the results. A second call will be held for European investors at 8:30am ET on Wednesday, November 30th. All interested parties are invited to join these calls.

"I am pleased to report we have returned to our strong growth trajectory in the third quarter," said Sean Krakiwsky, Founder and CEO of Nanalysis. "We continue to focus on growing all segments of our organization and executing on our operational strategy. In the third quarter we laid significant groundwork on our previously announced multi-year airport security contract with the Canadian Air Transportation Security Authority and have now begun operations on that project in the fourth quarter. We believe we have also resolved the issues that slowed our growth in our benchtop NMR sales organization in the second quarter, returning to strong benchtop NMR sales figures. We expect to see continued strength in our business in the fourth quarter, which has historically been a strong quarter for our business."

Financial highlights (unaudited) for the three months ended September 30, 2022:

- For the three months ended September 30, 2022, the Company reported consolidated revenue of \$6,878K, an increase of \$3,542K or 106% from the comparative period in 2021. This includes \$6,145K in product sales and \$733K of service revenue related to airport security services.
- Gross margin on total sales was 43% for the three months ended September 30, 2022. This was the result of increased training costs of personnel for the CATSA airport security project, increased personnel and training in Nanalysis' manufacturing group to increase manufacturing capacity, an increase in costs due to worldwide supply chain constraints and inflation, as well as a specific medical imaging project in our RS2D subsidiary that had lower than normal gross margins. Management expects margins to improve as continued investments in manufacturing improvements continue, sales levels increase, and the CATSA airport security project continues to phase-in to full capacity.
- (Loss) Income before other items for the three months ended September 30, 2022, was \$(618K) versus \$12K compared to the same period last year.
- Net loss for the three months ended was \$(2,599K), as compared to the three-month loss for September 30, 2021, of \$(857K).
- The Company had cash on hand of \$7,925K, an undrawn credit facility of \$6,734K, working capital of \$9,658K and an undrawn government contribution funding of \$4,985K as of September 30, 2022.

Recent strategic and operational highlights during and subsequent to the second quarter of 2022 include:

- **Funding received from Prairies Economic Development Canada:** Subsequent to September 30, 2022, the Company received its first \$1.5 million in funding from the Business Scale-up Program. This program will provide Nanalysis up to \$4,985K of funding in the form of an unsecured interest free loan. The program is designed to help fast growing tech firms scale-up and enter new markets.
- **Consolidation of credit facility:** On November 18, 2022, the Company closed a credit line with a major Canadian bank, consolidating its existing operating facilities into a \$9 million operating line. The line bears interest at a rate of prime plus 0.65% and will allow the Company to execute on its growth and expansion plans.
- **Security Service:** In November 2022, the Company began providing services under the CATSA airport security contract and continues to execute successfully on its phase-in plan for the entire

project.

- **Manufacturing:** In addition to Nanalysis investing in a state of the art five axis machining centre and wire electrical discharge machine in the second quarter of 2022, Nanalysis has also invested in growing out the manufacturing team allowing the Company to meet expected growth in demand as it heads into 2023.
- **Quad Systems:** The company has seen continued development with Quad System's full high-field NMR product. Module sales have continued to increase in the third quarter and the Company expects material revenue from the acquisition in 2023.

Operating Results

For the nine months ended September 30, 2022, the Company reported consolidated revenue of \$17,618K, an increase of \$6,664K or 61% from the comparative period in 2021. The increase from Q3 2021 can be attributed to continued increases in shipments of the 100MHz benchtop NMR unit, coupled with revenue from the recent acquisition, K'Prime, offset by lower RS2D revenue than in Q3 2021.

Gross profit for the nine months ended September 30, 2022, was \$9,504K (a margin of 54%) compared to gross profit of \$7,152K (a margin of 65%) for the nine months ended September 30, 2021. Margins for the nine months ended September 30, 2022, decreased over the nine months ended September 30, 2021, as a result of increased component costs because of world-wide supply chain challenges, low margins on a specific Q3 project in RS2D, training costs included in cost of services related to the CATSA airport security project phase in, and investments made in the Company's manufacturing workforce beginning in the second quarter.

The Company's net loss for the nine months ended was \$(6,623K), as compared to the nine-month loss for the period ended September 30, 2021, of \$(1,127K). The increased loss was due to higher sales and marketing expenses, increased general and administration expenses and increased research and development expenses, both in the Nanalysis segment and from the new acquisitions. In addition, there were business acquisition costs from the two transactions completed, increased depreciation and amortization expense, and increased finance expenses partially offset by no RS2D earnout in the quarter and increased revenues.

Outlook

"Our main objective continues to be focusing on executing our business plan, including ramping up sales of our 100 MHz product, completing the roll out of the CATSA airport service contract, and capitalizing on business opportunities brought by our recent acquisitions. We have successfully restructured and refocused our benchtop NMR salesforce and expect growing demand in 2023 for benchtop products, and we continue to work towards the launch of a full multi-module high-field NMR product via Quad Systems," said Sean Krakiwsky.

"With a slower second quarter well behind us, we have returned to our high growth trajectory and continue to have confidence that Nanalysis is well positioned for solid growth in 2023 and the years to come. Operational excellence remains our mantra, as we will continue to leverage existing customer relationships, our innovative technologies, and a motivated and professional team to fuel growth. We are confident that we will deliver the value we've created by our recent acquisitions to our shareholders through the remainder of 2022 and into the new year," concluded Mr. Krakiwsky.

Conference Call

Investors interested in participating on the live call can dial 1-888-664-6392 or 416-764-8659 from abroad. Investors can also access the call online through a listen-only webcast here: <https://app.webinar.net/JoLVkw4jEmX> or on the investor relations section of the Company's website [HERE](#). The webcast will be archived on the Company's investor relations webpage for at least 90 days and a telephonic playback will be available for seven days after the conference call by calling 1-888-390-0541 or 416-764-8677, conference ID # 833132.

Additionally, the Company will be hosting a Q&A session for its European investors tomorrow, Wednesday, November 30th at 8:30am ET which can be accessed by the following link: : [Click here to join the meeting](#), or call in (audio only) +1 437-703-4522, Phone Conference ID: 295 204 525#.

About [Nanalysis Scientific Corp.](#) (TSXV: NSCI, OTCQX: NSCIF, FRA:1N1)

Nanalysis trades on the TSX Venture Exchange (TSXV) in Canada with ticker symbol 'NSCI', OTC and the Frankfurt exchange under the ticker symbol '1N1'. The company's business is what we term "MRI and NMR for industry". The company develops and manufactures portable Nuclear Magnetic Resonance (NMR) spectrometers or analyzers for laboratory and industrial markets. The NMRReady-60™ was the first full-feature portable NMR spectrometer in a single compact enclosure requiring no liquid helium or any other cryogenics. The Company has followed up that initial offering with new products and continues to have a strong innovation pipeline. Nanalysis began selling a 100MHz device in 2020. The Company's new device is the most powerful and most advanced compact NMR device ever brought to market. Nanalysis devices are used in many industries (oil and gas, chemical, mining, pharma, biotech, flavor and fragrances, agrochemicals, law enforcement, and more) as well as numerous government and university research labs around the world. The Company continues to exploit new global market opportunities independently and with partners.

With the recent acquisition of K'Prime, the Company maintains a North American sales and service company of over 40 individuals who cover scientific instrumentation for pharma, food, chemical and oil & gas customers, as well as imaging systems and services for security applications. Additionally, the Company has a 43% ownership in Quad Systems AG ("Quad Systems"), with an option to purchase the remaining shares. Quad Systems is a Zurich-based Nuclear Magnetic Resonance ("NMR") company focused on high-field NMR for pharmaceutical and other vertical markets.

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This news release contains certain "forward-looking statements" within the meaning of such statements under applicable securities law. Forward-looking statements are frequently characterized by words such as "anticipates", "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed", "positioned" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this news release. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

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CNW 16:05e 29-NOV-22