Kraken Reports Q3 2019 Results

Canada's Ocean Company Reports Record Quarterly Revenue of $7.8 Million - Positive EBITDA

ST. JOHN'S, Newfoundland, Nov. 26, 2019 -- Kraken Robotics Inc. (TSX-V: PNG, OTCQB: KRKNF), Canada's Ocean Company, announced it has filed its financial results for the third quarter ended September 30, 2019. Additional information concerning the Company, including its unaudited condensed consolidated interim financial statements and related management's discussion and analysis ("MD&A") for the quarter ended September 30, 2019, can be found at www.sedar.com. Unless otherwise stated, all dollar amounts are Canadian dollar denominated.

Q3 2019 Financial Highlights

- Revenue for the quarter of $7.8 million compared to $1.6 million in the year ago quarter. Year-to-date revenues were $10.5 million as compared to $5.2 million in the same period of 2018, representing growth of 102%.
- Majority of revenue in the quarter was driven by the delivery of subsea batteries to Ocean Infinity and the delivery of a KATFISH™ to ThayerMahan.
- As a result of a $1.0 million contract award under the Canadian government's Build in Canada Innovation Program, we delivered the ThunderFish® Alpha Autonomous Underwater Vehicle (AUV) to our test partner, Defense Research and Development Canada (DRDC). As a result of this contract, we recorded a gain on the disposal of assets of $0.6 million.
- EBITDA* in the quarter was positive at $1.0 million - a 12.6% EBITDA margin compared to an EBITDA loss of $2.0 in the year ago quarter.
- Net income in the quarter was $0.1 million as compared to net loss of $1.1 million in the year ago quarter. In addition to the gain on disposal, discussed above, Q3 was impacted by share-based compensation expense of $1.0 million due to the grant of stock options to employees, officers and directors.
- Kraken had working capital of $7.7 million at quarter end as compared to $4.9 million at December 31, 2018. Kraken exited the quarter with a cash balance of $2.7 million, as compared to cash balance of $4.9 million at December 31, 2018. Due to increased sales in the quarter, accounts receivable increased to $4.8 million, compared to $1.7 million at December 31, 2018.
- Kraken has $2.7 million in previously awarded funding to draw upon from government agencies. This amount is not recorded in our financial statements until the cash is received. This previous awarded funding excludes $5.9 million of funding to be provided from the Ocean Supercluster. This was announced on June 28, 2019, and Kraken expects to finalize this contract in Q4.

Forward Looking Guidance

Kraken expects continued strong revenue growth into Q4 that will be led by the delivery of sensors, batteries and a number of robotics as a service projects. As a result, we expect to maintain our objective of generating 2019 revenues of approximately $15 million.

CEO Comments

"This was an extremely busy quarter for Kraken. Working with our strategic partners, we made significant deliveries of subsea batteries to Ocean Infinity and their initial endurance testing resulted in them conducting an unprecedented mission length of over 100 hours without recharging. Our batteries have considerable performance advantages compared to what many AUV operators are utilizing and we intend to leverage this in both the commercial and military markets," said Karl Kenny, Kraken's President and CEO.

"With ThayerMahan we were not only excited to have delivered a KATFISH during the quarter but also to have received a second order, which will be delivered in Q1, 2020. ThayerMahan will utilize the KATFISH as part of its SeaScout expeditionary system for seabed mapping and intelligence."

"Over the coming months, we will continue to deliver batteries to Ocean Infinity and others, work to close a major international mine hunting sonar contract announced subsequent to the quarter, complete the contracting phase with the Ocean Supercluster and stakeholders, and prepare for an expected strong ramp of business activity in 2020 – including military and commercial contracts. It's a great time to be part of Kraken's growth," said Karl Kenny, Kraken's Founder, President and CEO.

Q3 2019 Notable Operational Highlights

- Partnered with ThayerMahan and the National Oceanographic and Atmospheric Administration (NOAA) to conduct joint operations using Kraken's sonar and laser scanning technologies.
- Announced that following successful trials with Husky Energy, Kraken has been awarded funding for the development of a mooring chain laser inspection sensor, for use in offshore oil and gas applications. Under the project, a total of $1.8 million of funding is being provided in cash and in-kind services.

- Announced that its wholly owned German subsidiary, Kraken Robotik GmbH, has been awarded a contract to deliver 3000 meter rated SeaVision® laser scanning sensors to the [GEOMAR Helmholtz Centre for Ocean Research] in Germany valued at $0.5 million.
- Announced the award of an approximately $2.0 million contract by a military customer to provide a high capacity battery solution for an underwater robotics application.
- Launched the initial phase of its OceanVision™ project. Kraken deployed its sensors and unmanned underwater platforms to conduct ultra-high definition seabed imaging and mapping on the Grand Banks of Newfoundland and other areas of Atlantic Canada. This is the initial phase of a three-year, $20 million project focused on the development of new marine technologies and products.
- Received a second purchase order from ThayerMahan, for a KATFISH™180 system. The contract value is $2.9 million, with delivery expected in Q1, 2020.
- Announced our intent to establish a joint venture with a company owned by Kraken Board member, Larry Puddister, for the provision of subsea services. The joint venture will be called Ocean Discovery Inc. ("Ocean Discovery") and will operate in Atlantic Canada. The vessel will be retrofitted and equipped with a wide variety of sensors and systems for ultra-high definition imaging, mapping, and inspection of the seabed and other subsea assets. By combining our technology, we will accelerate the rollout of recurring revenue such as Robotics as a Service and Data Analytics as a Service.

Subsequent Highlights Since September 30 Quarter End

- Received notification that Kraken has been chosen as the successful bidder on a program for the acquisition of new sonar systems for an international navy. Under the program, Kraken will deliver its KATFISH™ towed synthetic aperture sonar as well as Autonomous Launch And Recovery Systems (ALARS) to the customer. The total contract value is expected to be approximately C$35-$40 million, with the majority of that received over a 2-year equipment acquisition phase. Final contract signing with Kraken is subject to several factors including the expiry of the standstill period and Kraken entering into an industrial offset contract with the government business agency. In addition, the contract signing is subject to political approval, including approval by the Finance Committee of the customer's Parliament. Kraken is still in the standstill period related to this contract.
- Announced that it will receive a financial contribution of up to $0.750 million from the National Research Council of Canada Industrial Research Assistance Program. This funding will be used to support research and development of Kraken's ThunderFish® XL Autonomous Underwater Vehicle (AUV) and is part the OceanVision™ project. Kraken's ThunderFish® XL represents further development of the ThunderFish® Alpha platform that was recently delivered to DRDC.

*EBITDA and EBITDA margin do not have standardized meaning under IFRS and may not be comparable to similar measures used by other issuers. We define EBITDA as revenue less costs of sales, administrative expenses and research and development costs. We define EBITDA margin as EBITDA divided by revenues.

ABOUT KRAKEN ROBOTICS INC.

Kraken Robotics Inc. (TSX.V:PNG) (OTCQB: KRKNF) is a marine technology company that is dedicated to the production and sale of software-centric sensors and underwater robotic systems. The company is headquartered in St. John's, Newfoundland with offices in Dartmouth, Nova Scotia; Toronto, Ontario; Bremen, Germany; and Boston, Massachusetts. Kraken is ranked as a Top 100 marine technology company by Marine Technology Reporter. For more information, please visit www.krakenrobotics.com, www.krakenrobotik.de, www.krakenpower.de. Find us on social media on Twitter (@krakenrobotics), Facebook (@krakenroboticsinc) and LinkedIn.

Certain information in this news release constitutes forward-looking statements. When used in this news release, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "seek", "propose", "estimate", "expect", and similar expressions, as they relate to the Company, are intended to identify forward-looking statements. In particular, this news release contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties, including without limitation, changes in market, competition, governmental or regulatory developments, general economic conditions and other factors set out in the Company's public disclosure documents. Many factors could cause the Company's actual results, performance or achievements to vary from those described in this news release, including without limitation those listed above. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this news release and such forward-looking statements included in, or incorporated by reference in this news release, should not be unduly relied upon. Such statements speak only as of the date of this news release. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

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