



Kraken Reports Q3 2021 Results and Re-Iterates Annual Guidance

ST. JOHN'S, Newfoundland, Nov. 29, 2021 (GLOBE NEWSWIRE) -- Kraken Robotics Inc. (TSX-V: PNG, OTCQB: KRKNF), Canada's Ocean Company, announced it has filed its financial results for the quarter ended September 30, 2021. Additional information concerning the Company, including its consolidated financial statements and related management's discussion and analysis ("MD&A") for the quarter ended September 30, 2021, can be found at www.sedar.com. Unless otherwise stated, all dollar amounts are Canadian dollar denominated.

2021 Financial Guidance Remains Unchanged

- ***We continue to expect revenue for the year ended December 31, 2021, to be \$28 million to \$30 million, an increase of more than 130% as compared to \$12 million in 2020.*** The forecasted growth is driven by initial deliveries of KATFISH™ 180 towed sonars and Autonomous Launch and Recovery Systems for the Danish and Polish navies, various orders for AquaPix® MINSAS sensors and SeaPower™ batteries, and five months of contribution from the acquisition of PanGeo, which closed on July 30, 2021.
- Gross margins for 2021 are expected to be in the 47%-50% range versus 47% in 2020.
- Adjusted EBITDA*excluding transaction cost related to the acquisition of PanGeo for 2021 is expected to be in the range of \$3.0 million to \$4.5 million compared to an Adjusted EBITDA* loss of \$2.7 million in 2020. The year over year improvement is expected as a result of higher revenue offset by increased expenses on headcount and infrastructure related spending, and overall costs due to the growth of the business.
- Over the last 12 months, Kraken has purchased significant inventory to de-risk delivery schedules that could be negatively impacted by the COVID 19 pandemic's impact on supply chains. The Company continues to pre-buy long lead-time inventory for planned 2022 deliveries with a primary focus being on electronic integrated circuits. While part availability has been challenging even as we exit the Covid environment, with the ongoing efforts of our engineering and procurement teams to expedite parts orders, we continue to mitigate inventory supply risks as best we can.

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

2022 Outlook for Solid Growth

While we are not currently providing guidance for 2022, we do expect solid growth driven by a number of factors. On the Products side, these include continued shipments of KATFISH™ 180 towed sonars and Autonomous Launch and Recovery Systems for the Danish navy, and current and expected orders for AquaPix® MINSAS sensors and SeaPower™ batteries. On the Services side, we will have a full year of PanGeo results (vs just 5 months in 2021) and expect to see meaningful growth versus 2022 driven by strong industry trends in the offshore renewable energy space. Combined with expected RaaS revenue from our KATFISH™ towed sonar and SeaVision® lasers, we expect overall Services revenue at Kraken to show solid growth in 2022. While continued Covid and global supply chain concerns cannot be ruled out, we are well positioned for program awards that have been delayed in 2020-2021 to be awarded in 2022, thus forming the basis for continued strong growth for Kraken in 2023 and beyond. These include a variety of multi-year programs (sensors and systems) in North America, Europe, and Asia Pacific. In addition, we are bidding as a prime on another major minehunting contract pursuit for a leading NATO navy.

Q3 2021 Financial Highlights

- Revenue for the quarter was \$5.1 million compared to \$1.5 million in the year ago quarter. Growth was driving by progress on the Danish Navy order, as well as shipments of sonar sensors and batteries.
- Adjusted EBITDA* in the quarter was negative \$0.7 million, compared to Adjusted EBITDA* loss of \$1.7 million in the year ago quarter. The year-over-year improvement was driven by higher revenue.
- Net loss in the quarter was \$2.6 million (including transaction costs of \$0.6 million) compared to a net loss of \$2.6 million in the year ago quarter.
- Net working capital at the end of Q3, 2021 was \$8.3 million, up from \$8.0 million at the end of Q2, 2021, and compared to \$10.5 million at the end of 2020. Kraken exited the quarter with a cash and restricted cash of \$5.0 million, down slightly from \$5.4 million at the end of Q2, 2021. Cash has declined since year end 2020, mainly driven by a planned increase in inventory builds (\$9 million inventory increase since end of 2020) to address potential supply chain challenges and prepare for major deliveries starting in Q4 2021.
- Including federal funding we will receive for our OceanVision project, at quarter end Kraken had \$7.8 million in previously awarded funding to draw upon from government agencies and project funding partners. Subsequent to quarter end this amount grew by \$7.6 million with recent funding awards discussed below. These amounts are not recorded in our financial statements until the cash is received.

Q3 2021 Corporate Developments

- **In July, Kraken signed a contract with a major international energy company to provide detailed underwater inspection of the customer's subsea assets.** Kraken's SeaVision® 3D laser scanner will be used to conduct underwater inspection of an umbilical termination assembly to acquire metrology data on tubing within the internal structure. The work will be performed in Q4 of this year in a West African country.
- **In July, Kraken was awarded a \$0.6 million Robotics as a Service (RaaS) contract from Newfoundland and Labrador Hydro (formerly Nalcor Energy) for the Underwater Inspection of Strait of Bell Isle Submarine Cable.** Under the contract, Kraken will deploy its KATFISH™ towed SAS sonar system including our Automatic/Remote Launch and Recovery System (ALARS) deployed on the R/V Ocean Seeker. This contract will be executed in Q3, 2021.
- **In July, Kraken completed a \$10 million bought deal equity financing and completed the acquisition of PanGeo.** Together with PanGeo, Kraken can now offer a holistic solution of world-leading technologies and services in subsea acoustic and optical imaging, autonomous robotics, and subsea batteries for customers in the defense and commercial markets. The PanGeo acquisition accelerates Kraken's service capabilities, generates more recurring revenue, and diversify Kraken's revenue streams into the offshore renewable energy market. PanGeo should report solid Q4 revenue as they are seeing strong Q4 offshore utilization with six ROV mounted Sub-Bottom Imagers (SBI), two shallow water mounts (GeoLink and GeoArm), and the remotely operated towed unit (SeaKite) performing sub-seabed imaging jobs.
- **In August, PanGeo announced the award of \$2.0 million in cash funding from Canada's Ocean Supercluster for PanGeo's Geoscan project.** The Geoscan project will focus on reconfiguring PanGeo's Acoustic Corer™ 3D technology to allow for a wider area scan and the ability to image geohazards to depths greater than 30 meters sub-seabed. In addition to providing wider area scans, PanGeo will incorporate new Artificial Intelligence (AI) processing technology to improve data acquisition and accelerate data processing. Ultimately this technology will lead to a reduction of personnel offshore and improved vessel efficiencies.
- **In September, Kraken recently started our first commercial RaaS campaign using our KATFISH™ towed underwater vehicle.** While this was a subsea cable inspection campaign in Canada, during the campaign, the vessel and crew was re-tasked to support search and rescue efforts due to a lost fishing vessel in the area.
- **In the quarter, Kraken's SeaVision® laser scanning services experienced growing interest from the offshore oil and gas and renewable energy markets for critical subsea asset inspection.** Kraken has received contracts in North America, Europe, Africa, and Brazil for paid demonstrations of this technology, and expects to complete them during Q4 and into Q1, 2022. Applications include anode inspection at an offshore wind farm, mooring chain inspection for offshore oil and gas infrastructure, and metrology services. The customers are large global offshore energy/renewables providers.

Post Quarter Subsequent Events

- **On October 25, Kraken announced the award of a \$0.5 million RaaS contract with the Government of Canada for testing of Kraken's ultra-high resolution survey equipment with the Royal Canadian Navy (RCN).** Under the contract, Kraken will deploy its KATFISH™ towed SAS sonar system and will integrate a Kraken Light Weight SAS (LW-SAS) onboard a REMUS 100 Autonomous Underwater Vehicle (AUV) owned by the RCN's Fleet Diving Unit Atlantic, based in Halifax. This contract will be completed by March 31, 2022.
- **On November 23, Kraken announced the award of \$7.1 million in contracts for offshore subsea inspections.** Contract funding is under the Newfoundland Offshore Oil and Gas Industry Recovery Assistance (OOGIRA) Fund. The combined projects valued at \$9.2 million will be executed from Q4 2021 through Q4 2022. Kraken and PanGeo's inspection and survey platforms will assist the offshore energy sector to acquire better, faster, and more valuable data. This will enable offshore energy operators to make better-informed decisions regarding asset integrity, enhance energy recovery and reduce carbon emissions during inspection and survey operations.

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ABOUT KRAKEN ROBOTICS INC.

Kraken Robotics Inc. (TSX.V:PNG) (OTCQB: KRKNF) is a marine technology company dedicated to the production and sale of software-centric sensors, subsea batteries and thrusters, and underwater robotic systems. The company is headquartered in Newfoundland with offices in Canada, U.S., Germany, Denmark, and Brazil. In July 2021, Kraken acquired PanGeo Subsea, a leading services company specializing in high-resolution 3D acoustic imaging solutions for the sub-seabed. PanGeo with offices in Canada, the United States and the United Kingdom is now a wholly owned subsidiary of Kraken. Kraken is ranked as a Top 100 marine technology company by Marine Technology Reporter.

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.

Neither the TSX Venture Exchange Inc. nor its Regulation Services Provide (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release, and the OTCQB has neither approved nor disapproved the contents of this press release.

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