



Kraken Robotics Reports Record Financial Results

Revenue Increases 66% to \$20.3 million, Adjusted EBITDA increases 153% to \$4.4 million

ST. JOHN'S, NEWFOUNDLAND, November 27, 2023 /GLOBE NEWSWIRE/ -- Kraken Robotics Inc. (TSX-V: PNG, OTCQB: KRKNF) ("Kraken" or the "Company"), announced it has filed financial results for the third quarter ended September 30, 2023 ("Q3 2023").

Management Comments

"With Q3 being our strongest quarter in history and Q4 expected to show further improvement, we are on track to hit our financial guidance for 2023," said Kraken President and CEO Greg Reid. "More importantly, we are confident that our momentum will continue in 2024 as our sonar and subsea power business are seeing strong growth opportunities.

There is a clear uptick in demand for Uncrewed Underwater Vehicles (UUVs) where we sell both sonar and batteries to AUVs and provide minehunting solutions to Navies with our KATFISH towed synthetic aperture sonar solution. The emergence of a new class of UUVs, the Extra Large UUV (XLUUV) is driving much higher energy requirements in UUVs and our subsea battery business is benefitting. Many countries and Navies around the world are in various stages of upgrading their subsea surveillance equipment, with underwater solutions such as towed sonar or Autonomous Underwater Vehicles (AUVs) that are deployed from crewed or Uncrewed Surface Vessels (USVs). Kraken's technology portfolio and product and service offering are well positioned to ride this demand wave. Our second largest market, offshore wind, has seen continued solid demand for sub-seabed services. The offshore wind and offshore oil and gas market represents 15-20% of our overall revenue stream.

During the quarter, we eliminated most of our long-term debt as we paid off the PanGeo acquisition debt, with no further contingent consideration, and we almost doubled our credit facilities to \$12 million, providing greater flexibility for our working capital requirements. Given our forecast, we believe we have all the cash we need to execute on our business plan, and expect cash balances to improve as orders are executed and we hit various payment milestones. As said previously, we believe our value in the market is not reflective of our significant investment to date, our unique competitive position, and strong pipeline. We will continue our focus on execution as we believe we are in the early days of creating significant shareholder value."

(\$ 000s except per share amounts) (unaudited)	Q3 2023	Q3 2022	% change	YTD 2023	YTD 2022	% change
Total revenue	20,342	12,291	66%	41,575	32,095	30%
Gross margin	9,995	4,429	126%	22,242	12,644	76%
Gross margin percentage	49%	36%		53%	39%	
Adjusted EBITDA	4,423	1,745	153%	8,366	4,361	92%
Adjusted EBITDA percentage	22%	14%		20%	14%	

Q3 2023 Financial Highlights

- Consolidated revenue for Q3 2023 was \$20.3 million compared to \$12.3 million, an increase of 66% over the comparable quarter and was Kraken's strongest revenue quarter to date. Revenue mix was 85% Products / 15% Services.



- Product revenue in the quarter was \$17.2 million, an increase of 126% over the comparable quarter. The increase was the result of continued sales of subsea batteries, work with the Canadian Navy on its Remote Minehunting and Disposal Systems (RMDS) program, the production of our KATFISH™ product as well as the sale of synthetic aperture sonar (SAS) systems.
- Service revenue in the quarter was \$3.2 million, a decrease of 32% over the comparable quarter due to a large Acoustic Corer™ project in the comparable quarter a year ago.
- Gross margin¹ percentage in Q3 2023 was 49% compared to 36% in Q3 2022. The improvement was due to increased sales volumes of higher margin products during the quarter compared to the prior year.
- Adjusted EBITDA¹ for the quarter was \$4.4 million compared to an Adjusted EBITDA¹ of \$1.7 million in the comparable quarter. Adjusted EBITDA¹ margin in the quarter was 22% compared to 11% in the comparable quarter with the increase due to higher revenue and improved gross margin.
- Net income in the quarter was \$2.3 million, compared to net loss of \$0.9 million in Q3 2022.

Highlights year-to-date September 30, 2023

- Consolidated revenue year-to-date was \$41.6 million compared to \$32.1 million, an increase of 30% over the comparable nine-month period ending September 30th, 2022.
- Product revenue year-to-date was \$33.0 million compared to \$19.8 million to September 30th, 2022, an increase of 66%.
- Service revenue year-to-date was \$8.6 million, a decrease of 30% compared to the comparable period ending September 30th, 2022. The decline is related to having a large Acoustic Corer™ project completed in the prior year that was not repeated in 2023.
- Gross margin¹ percentage year-to-date was 53% as compared to 39% in year-to-date 2022. The increase is due to sale of higher margin products during the current year compared to the prior year.
- Adjusted EBITDA¹ year-to-date was \$8.4 million compared to an Adjusted EBITDA¹ of \$4.4 million in the comparable period, an increase of 92%. Adjusted EBITDA¹ margin year-to-date was 20% compared to 14% in the comparable year. This is due to higher revenue and improved gross margins.
- Total assets were \$70.5 million on September 30, 2023, compared to \$65.5 million on September 30, 2022.
- At September 30, 2023, Kraken had \$9.5 million remaining in grant funding to be offset against R&D activities. This off-balance sheet item relates to government or commercial contracts that are not recorded as revenue, but will reduce our actual R&D costs through the end of 2025.

Financial Update

As we approach year end, Kraken is tightening its range for 2023 financial guidance. The Company expects revenue to be in the \$66 - \$72 million range (previously \$66 - \$78 million) and adjusted EBITDA¹ in the \$12 - \$15 million range (previously \$12 - \$17 million). The mid-point of our guidance range (\$69 million in revenue and \$13.5 million in adjusted EBITDA¹) implies revenue growth of 70% and adjusted EBITDA¹ growth of 155%

¹Adjusted EBITDA is a non-GAAP financial measure and gross margin, and adjusted EBITDA margin are non-GAAP ratios, in each case with no standard meaning under IFRS, and may not be comparable to similar financial measures disclosed by other issuers. Refer to the "Non-GAAP Measures" section of this press release.

over 2022. Capex in 2023 is expected to be approximately \$6 million. Consistent with the last two years, we expect to give guidance for 2024 in the April 2024 timeframe. We will enter 2024 with notable contracts in hand, a very strong pipeline, and solid end market demand in our largest market: defense.

NON-GAAP MEASURES

Non-GAAP measures, including non-GAAP financial measures and non-GAAP ratios not recognized under IFRS are provided where management believes they assist the reader in understanding Kraken's results. The Company utilizes the following terms for measurement within the MD&A that do not have a standardized meaning or definition as prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other entities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Adjusted EBITDA and Adjusted EBITDA Margin

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, Adjusted EBITDA is useful to securities analysts, investors and other interested parties in evaluating operating performance by presenting the results of the Company on a basis which excludes the impact of certain non-operational items which enables the primary readers of the MD&A to evaluate the results of the Company such that it was operating without certain non-cash and non-recurring items. Adjusted EBITDA is calculated as earnings before interest expense, interest income, income taxes, depreciation and amortization, stock-based compensation expense and non-recurring impact transactions, if any. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Total Revenue.

Reconciliation of Net Loss to Adjusted EBITDA

	Three Months		Nine Months	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Net Income (Loss)	2,301	(928)	2,962	(2,973)
Income Tax	(31)	201	293	94
Financing costs	291	847	1,262	2,445
Gain on extinguishment of contingent consideration	-	-	(4,044)	-
Foreign exchange gain	(292)	(100)	(22)	(110)
Share-based compensation	61	137	320	619
Loss on disposal of assets	2	-	2	207
Impairment of Goodwill	-	-	2,757	-
Depreciation and Amortization	1,209	1,146	3,704	3,433
EBITDA - excluding restructuring and other costs	3,541	1,303	7,234	3,715
Acquisition costs and restructuring	882	442	1,132	646
Adjusted EBITDA	4,423	1,745	8,366	4,361
Adjusted EBITDA Margin	22%	14%	20%	14%

Gross margin is defined as revenue less cost of total sales. Gross margin percentage is defined as gross margin divided by total sales.



	Three Months		Nine Months	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Revenue	20,342	12,291	41,575	32,095
Cost of sales	10,347	7,862	19,333	19,451
Gross margin	9,995	4,429	22,242	12,644
Gross margin percentage	49%	36%	53%	39%

ABOUT KRAKEN ROBOTICS INC.

Kraken Robotics Inc. (TSX.V: PNG) (OTCQB: KRKNF) is a marine technology company providing complex subsea sensors, batteries, and robotic systems. Our high-resolution 3D acoustic imaging solutions and services enable clients to overcome the challenges in our oceans - safely, efficiently, and sustainably. Kraken Robotics is headquartered in Canada and has offices in North and South America and Europe. Kraken is ranked as a Top 100 marine technology company by Marine Technology Reporter.

LINKS:

www.krakenrobotics.com

SOCIAL MEDIA:

LinkedIn www.linkedin.com/company/krakenrobotics

Twitter www.twitter.com/krakenrobotics

Facebook www.facebook.com/krakenroboticsinc

YouTube www.youtube.com/channel/UCEMyaMQnneTelr71HYgrT2A

Instagram www.instagram.com/krakenrobotics

For further information:

Jack North, Marketing

jnorth@krakenrobotics.com

Joe MacKay, Chief Financial Officer

(416) 303-0605

jmackay@krakenrobotics.com

Greg Reid, President & CEO

(416) 818-9822

greid@krakenrobotics.com

Sean Peasgood, Investor Relations

(647) 955-1274

sean@sophiccapital.com

Forward Looking Statements

The Company and its management believe that the statements regarding 2023 revenue and adjusted EBITDA contained in this press release are reasonable as of the date hereof, are based on management's current views, strategies, expectations, assumptions and forecasts, and have been calculated using accounting policies that are generally consistent with the Company's current accounting policies. These statements are considered future-oriented financial outlooks and financial information (collectively, "FOFI") under applicable securities laws. These statements and any other FOFI included herein have been approved by management



of the Company as of the date hereof. Such FOFI are provided for the purposes of presenting information about management's current expectations and goals relating to the Company's expected growth in its Products and Services groups. However, because this information is highly subjective and subject to numerous risks, including the risks discussed in the disclaimer for forward looking statements below, it should not be relied on as necessarily indicative of future results. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the FOFI prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although management of 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 not to be as anticipated, estimated or intended. The Company disclaims any intention or obligation to update or revise any FOFI, whether as a result of new information, future events or otherwise, except as required by securities laws.

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.