



## EnWave Announces 2020 First Quarter Consolidated Interim Financial Results

Vancouver, B.C., February 26<sup>th</sup>, 2020

**EnWave Corporation (TSX-V:ENW | FSE:E4U) ("EnWave", or the "Company" - <https://www.commodity-tv.com/play/enwave-targeting-profitability-in-2020-signed-joint-development-deal-with-gea-lyophil/> )** today reports the Company's consolidated interim financial results for the first quarter ended December 31, 2019.

### Consolidated Financial Performance:

| (\$ '000s)                          | Three months ended<br>December 31, |            | Change<br>% |
|-------------------------------------|------------------------------------|------------|-------------|
|                                     | 2019<br>\$                         | 2018<br>\$ |             |
| Revenues                            | <b>8,609</b>                       | 7,806      | 10%         |
| Direct costs                        | <b>5,413</b>                       | 4,769      | 14%         |
| Gross margin                        | <b>3,196</b>                       | 3,037      | 5%          |
| Operating expenses                  |                                    |            |             |
| General and administration          | <b>1,758</b>                       | 998        | 76%         |
| Sales and marketing                 | <b>1,943</b>                       | 976        | 99%         |
| Research and development            | <b>535</b>                         | 341        | 57%         |
|                                     | <b>4,236</b>                       | 2,315      | 83%         |
| Net loss for the period after taxes | <b>(1,426)</b>                     | (15)       |             |
| Adjusted EBITDA <sup>(*)</sup>      | <b>(743)</b>                       | 1,163      |             |
| Loss per share – basic and diluted  | <b>(0.01)</b>                      | (0.00)     |             |

\* Adjusted EBITDA is a non-IFRS financial measure. Refer to the disclosure below regarding non-IFRS financial measures below and in the Company's MD&A.

EnWave's interim consolidated financial statements and MD&As are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website [www.enwave.net](http://www.enwave.net).

### Key Financial Highlights for Q1 (expressed in '000s):

- Reported revenue for Q1 2020 of \$8,609 compared to \$7,806 for Q1 2019, an increase of \$803 or 10%. During Q1 2020 we had the highest number of large-scale Radiant Energy Vacuum ("REV™") machines in fabrication at one point in time for the Company. Moon Cheese® sales in the quarter were downwardly affected due to excess inventory in the club channel that was previously sold in Q4 2019 for the Most Valuable Member ("MVM") program in Costco; however, improved distribution was achieved in other channels and repeat sales were strong overall.
- Achieved gross profit of \$3,196 for Q1 2020 compared to \$3,037 for Q1 2019, an increase of \$159. Gross margin held steady at 37% in Q1 2020 compared to 39% for Q1 2019. The sales mix shifted in the quarter with more revenue from machine sales, and our cost absorption improved with a

larger number of machines being fabricated concurrently. EnWave expects the gross margin on machine sales to improve in coming quarters due to the implementation of a revised pricing schedule.

- Consolidated net loss after taxes was \$1,426 for Q1 2020 compared to a net loss of \$15 for Q1 2019, an increase of \$1,411. Adjusted EBITDA<sup>(\*)</sup> was negative \$743 for Q1 2020 compared to Adjusted EBITDA<sup>(\*)</sup> of positive \$1,163 for Q1 2019, a decrease of \$1,906. We continued to make significant investments to establish a high-quality sales and marketing infrastructure at NutraDried to make Moon Cheese<sup>®</sup> a category leading brand.
- Invested in S&M expenses of \$1,943 in Q1 2020 compared to \$976 in Q1 2019. We rebranded Moon Cheese<sup>®</sup> and relaunched the brand with new packaging, a new website and new package sizes. We expanded our sales infrastructure by adding to our team of professionals that are located geographically around the U.S. with a focus on sales growth in diversified channels. We also hired a Chief Marketing Officer to develop and execute a marketing strategy to drive improved consumer awareness and trial. These S&M investments are anticipated to create sustained future value through increased distribution and new channel penetration.
- Maintained a strong working capital surplus of \$25,093 and a debt-free balance sheet, providing a robust foundation for future company growth including, REV<sup>™</sup> machine fabrication, royalty generation and Moon Cheese<sup>®</sup> production.

#### **Significant Accomplishments:**

- Re-launched the Moon Cheese<sup>®</sup> brand with world-class packaging, branding, consumer messaging and digital assets. Moon Cheese<sup>®</sup> is now available in 10oz, 2oz and 1oz package sizes that have been customized to suit specific channels of distribution. Along with the new branding, we launched two new flavors: Bacon Cheddar and Garlic Parmesan. The new flavors were chosen based on the results of extensive consumer testing and research. At the beginning of 2018, Moon Cheese<sup>®</sup> was offered in five flavor/size variations, but has now been expanded to fifteen flavor/size formats to optimize our product portfolio to suit target customer preferences.
- Signed six new royalty-bearing commercial license agreements in Q1 2020 through to the date of this report. Three of these license agreements were in the food products vertical and three were in the cannabis vertical. The new royalty-bearing licenses and REV<sup>™</sup> machine sales to the food vertical in Q1 include:
  - Signed a royalty-bearing commercial license agreement with Pacifico Snacks S.A.S. (“Pacifico Snacks”) and received a purchase order for a 10kW machine. Pacifico Snacks is a woman-owned Columbian producer of natural snacks with distribution to specialty retailers and for private label in North America. Pacifico plans to launch mango, pineapple and banana products using REV<sup>™</sup> in 2020.
  - Signed a royalty-bearing commercial license agreement with KL Ballantyne Pty Ltd (“Ballantyne”), a leading family-owned Australian dairy producer. Ballantyne purchased a 10kW REV<sup>™</sup> machine to initiate commercial production of several dairy ingredients and products developed for B2B sales in Australia and internationally.
  - Signed a royalty-bearing commercial license agreement with Responsible Foods ehf (“Responsible Foods”) for the dehydration of premium Icelandic raw materials including dairy, seafood, meat, microalgae and seaweed. Responsible Foods is a start-up snack food company focused on better-for-you snack and ingredient offerings using REV<sup>™</sup> technology.
  - Secured a second purchase order from Fresh Business Consulting S.L. (“Fresh Business”) for a 100kW large-scale REV<sup>™</sup> processing line. The purchase order represents Fresh Business’ second REV<sup>™</sup> machine for Peru and the scale-up of Fresh Business’ royalty-bearing

processing capacity for the meaningful commercial production of premium dried fruit and vegetable products.

- Continued to broaden the global sales of REV™ drying machines for cannabis. At the beginning of 2019, EnWave had two cannabis royalty partners licensed to use the EnWave technology – both in Canada. EnWave now has licensed royalty partners for cannabis and hemp drying in the United States, New Zealand, Switzerland and Australia, which includes the following licenses secured in Q1:
  - Signed a royalty-bearing commercial license agreement with Helius Therapeutics Ltd. (“Helius”), New Zealand’s largest licensed medical cannabis company. Helius purchased a 10kW REV™ machine to initiate commercial drying of cannabis in New Zealand in 2020.
  - Signed a royalty-bearing commercial license agreement with Cann Group Limited (“Cann Group”), Australia’s first Medical Cannabis Cultivation Licensee. Cann Group purchased a 10kW REV™ machine to initiate commercial production in 2020.
  - Signed a royalty-bearing commercial license agreement and equipment lease agreement with a Medical Cannabidiol (“CBD”) Company in Switzerland. The Swiss CBD company has the non-exclusive right to use REV™ technology to dehydrate medicinal-grade hemp for cannabidiol extraction and will initially use a leased 10kW REV™ machine for commercial production.
- Signed a technology license and joint development agreement (the “JDA”) with GEA Lyophil GmbH, a global manufacturer and marketer of freeze-dry units for the pharmaceutical and biotech industries, to accelerate the potential commercialization of REV™ technology in the pharmaceutical industry.

#### **Grant of Stock Options and RSRs to New Independent Director:**

On February 12, 2020, the Company appointed Mr. Patrick Turpin as a new independent director to the Company’s Board of Directors. Mr. Turpin is a seasoned executive in the consumer-packaged goods vertical and brings over 30 years of experience in the space, including as co-founder and former President of Popchips Inc. and as a former Vice President at Costco.

The Company has granted Mr. Turpin an aggregate of 150,000 incentive stock options, subject to the terms of the Company’s Stock Option Plan (the “Plan”), that are exercisable at the last closing price of the Company’s common shares on the TSX Venture Exchange (“TSXV”) on February 26, 2020. The incentive stock options are exercisable for a term of five years expiring on February 26, 2025 and will vest in accordance to the provisions set out in the Plan, or as otherwise required by the TSXV. The Company also granted Mr. Turpin an aggregate of 20,000 Restricted Share Rights (“RSRs”) pursuant to the Company’s Restricted Share Rights Plan. The RSRs granted will vest three years from the date of the award.

#### **(\*) Non-IFRS Financial Measures:**

Adjusted EBITDA is not a measure of financial performance under IFRS. We define Adjusted EBITDA as earnings before deducting amortization and depreciation, stock-based compensation, foreign exchange gain or loss, finance expense or income, income tax expense and non-recurring restructuring and impairment charges. This measure is not necessarily comparable to similarly titled measures used by other companies and should not be construed as an alternative to net income or cash flow from operating activities as determined in accordance with IFRS. Please refer to the discussion included in the Company’s interim MD&A for the three months ended December 31, 2019.

#### **About EnWave**

EnWave Corporation, a Vancouver-based advanced technology company, has developed Radiant Energy Vacuum (“REV™”) – an innovative, proprietary method for the precise dehydration of organic materials.

EnWave has further developed patent-pending methods for uniformly drying and decontaminating cannabis through the use of REV™ technology, shortening the time from harvest to marketable cannabis products.

REV™ technology's commercial viability has been demonstrated and is growing rapidly across several market verticals in the food, and pharmaceutical sectors, including legal cannabis. EnWave's strategy is to sign royalty-bearing commercial licenses with innovative, disruptive companies in multiple verticals for the use of REV™ technology. The company has signed over thirty royalty-bearing licenses to date. In addition to these licenses, EnWave established a Limited Liability Corporation, NutraDried Food Company, LLC, to manufacture, market and sell all-natural dairy snack products in the United States, including the Moon Cheese® brand.

EnWave has introduced REV™ as a disruptive dehydration platform in the food and cannabis sectors: faster and cheaper than freeze drying, with better end product quality than air drying or spray drying. EnWave currently offers two distinct commercial REV™ platforms:

1. *nutraREV*® which is a drum-based system that dehydrates organic materials quickly and at low-cost, while maintaining high levels of nutrition, taste, texture and colour; and,
2. *quantaREV*® which is a tray-based system used for continuous, high-volume low-temperature drying.

More information about EnWave is available at [www.enwave.net](http://www.enwave.net).

### **EnWave Corporation**

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