



EnWave Announces Fourth Quarter and 2020 Annual Results

Vancouver, B.C., December 21st, 2020

EnWave Corporation (TSX-V:ENW | FSE:E4U) (“EnWave”, or the “Company” - <https://www.commodity-tv.com/ondemand/companies/profil/enwave-corp/>) is pleased to report the Company’s operational and consolidated financial results for the fourth quarter and full fiscal year-ended September 30, 2020. Fiscal 2020 was a very challenging year for EnWave due to macroeconomic headwinds brought on by the COVID-19 global pandemic. Despite the Company’s toils, Q4 2020 was far stronger than Q2 2020 and Q3 2020, and the Company anticipates continued improved financial performance through Fiscal 2021.

(\$ '000s)	Three months ended September 30,			Year ended September 30,		
	2020	2019	Change %	2020	2019	Change %
Revenues	10,784	16,188	(33%)	32,883	42,842	(23%)
Direct costs	8,629	11,597	(26%)	24,112	29,236	(18%)
Gross margin	2,155	4,591	(53%)	8,771	13,606	(36%)
Operating expenses						
General and administration	939	1,164	(19%)	5,469	4,329	26%
Sales and marketing	1,282	2,524	(49%)	6,470	5,787	12%
Research and development	577	317	82%	1,989	1,692	18%
	2,798	4,005	(30%)	13,928	11,808	18%
Net income (loss) for the period after taxes	1	(425)	(100%)	(4,441)	(1,986)	124%
Adjusted EBITDA ^(*)	20	864	(98%)	(3,219)	3,186	(201%)
Loss per share – basic and diluted	(0.00)	(0.01)		(0.04)	(0.02)	

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

EnWave’s annual and interim consolidated financial statements and MD&As are available on SEDAR at www.sedar.com and on the Company’s website www.enwave.net.

The onset of COVID-19 challenged our machine sales – a business that relies highly on travel and person to person contact with our prospective partners and travel to install and commission new processing lines. Our NutraDried business also suffered greatly as building distribution and adding retailers for Moon Cheese® is also very much a person to person effort. For an extended period of time during the year many retailers were not taking meetings to consider new products.

But the Company persevered. EnWave started the year with the strength of a \$18.6 million cash cushion. We adapted. Staff levels and commensurate G&A expenses in EnWave Canada were drastically reduced. NutraDried cut back on marketing and operating expenses. Travel was essentially nixed. Person to person contact was replaced with video calls, virtual engagement tools and significantly more phone time. Our website information and instruction libraries were enhanced substantially. Everybody in our organization

took on the new way of business. We ended the fiscal year with a \$14.7 million cash position. As of the date of this release, the Company has just over \$18 million in cash to support the Company's pursuit of meaningful growth in 2021. Our strategies have shifted away from preservation and we have returned to aggressively pursuing growth.

Key Financial Highlights for Q4 2020 (expressed in '000s):

- Revenue was \$10,784 in Q4 2020 compared to \$5,998 in Q3 2020, an increase of \$4,786 or 80%. EnWave Canada had revenue of \$1,601 in Q4 2020 compared to \$1,609 in Q3 2020. NutraDried had revenue of \$9,183 in Q4 2020 compared to \$4,389 in Q3 2020. In Q4 2020, NutraDried had a national promotion for Moon Cheese® in all U.S. regions of Costco.
- Revenues of \$10,784 in Q4 2020 were lower than in Q4 2019 of \$16,188 by \$5,404. The decrease to revenues during this period is primarily attributed to higher discounts on NutraDried product shipped to Costco for the national promotions in both respective periods as well as fewer large-scale machines under fabrication for cannabis companies.
- Gross margin was 20% for Q4 2020 compared to 26% for Q3 2020 and 28% for Q4 2019. The lower gross margin in Q4 2020 reflects higher discounts from NutraDried for the Costco promotion as well the impact of fixed manufacturing overhead over lower revenue base. Management expects margins to improve in future quarters as the discount offered on the national Costco promotion was for a singular event. The Company intends to benefit in the future from being able to deliver more revenue without proportionally increasing its fixed manufacturing overhead costs.
- SG&A and R&D expenses were \$2,798 for Q4 2020 compared to \$4,005 for Q4 2019, a reduction of \$1,207 or 30%. In April 2020, the Company implemented significant cost containment measures implemented in response to the current global pandemic. The Company successfully reduced quarterly spending more than its previously announced target of \$1.0 million, while maintaining core capabilities and investing in areas to deliver revenue growth over the near and long-term.
- Adjusted EBITDA^(*) was positive \$20 in Q4 2020 compared to negative \$1,034 in Q3 2020 and positive \$864 in Q4 2019. The Company has reduced expenses in several areas while maintaining strategic investments in sales and marketing capabilities with the goal of reaching sustained positive cash flows.
- Maintained a strong balance sheet with a working capital surplus of \$24,168 and cash balance of \$14,712. Our cash position was largely unchanged from Q3 2020, a result of the cost containment strategies implemented in the second half of 2020. The Company is well positioned with a robust treasury to advance the expansion of the global deployment of Radiant Energy Vacuum ("REV™") technology, including the build-out of the REVworx™ toll manufacturing facility.

Key Financial Highlights for Fiscal Year 2020 (expressed in '000s):

- EnWave Canada reported revenues for 2020 of \$9,934 compared to \$12,848 for 2019, a decrease of \$2,914. EnWave Canada's lower revenues in 2020 reflect the impacts of substantial contraction of capital spending and facility expansion within the Canadian cannabis sector, along with restrictions on international travel due to COVID-19. Revenues from machine sales were downwardly impacted by the inability for the business development team to travel internationally to drive the global adoption of REV™ technology. Despite this adversity, the Company signed ten new royalty-bearing license agreements and sold eleven 10kW machines in 2020. Further improvements are expected in fiscal 2021.
- NutraDried reported revenues for 2020 of \$22,949 compared to \$29,994 for 2019, a decrease of \$7,045. NutraDried's results for 2020 were downwardly impacted by fewer product rotations at Costco, a single customer. Aside from Costco, NutraDried gained new distribution in the grocery, c-store and online channels during the year.

- SG&A and R&D expenses were \$13,928 for 2020 compared to \$11,808 for 2019, an increase of \$2,120. NutraDried's spending on sales and marketing increased for the duration of 2020 in an effort to increase distribution for Moon Cheese® nationally in the U.S. For the second half of 2020, the Company took significant steps to lower SG&A costs in response to the impacts of COVID-19 and fewer product rotations at Costco. The results of Q4 2020 reflect the cost reduction measures and the Company plans to operate with cost containment measures in place into 2021, and will make further reductions if required.
- Adjusted EBITDA^(*) for 2020 was a loss of \$3,219 compared to income of \$3,186 for 2019, a change of \$6,405. The Adjusted EBITDA^(*) loss for 2020 was largely driven by the lower product rotations at Costco from NutraDried paired with higher fixed selling costs from NutraDried during the year. NutraDried's financial plan for 2021 includes meaningful distribution growth of Moon Cheese® in retail grocery and management plans to adapt the level of fixed overhead to properly align with performance.
- Royalty revenue for 2020 was \$835 compared to \$735 for 2019, an increase of \$100 or 14%. The installation of several large-scale REV™ machines that were sold in 2019 was delayed due to international travel restrictions and infrastructure delays at our partner's facilities. The installed royalty-base of machinery will be increase with large-scale installations planned in the near-term for Aurora (120kW), Fresh Business (100kW), and Pitalia (100kW).
- The consolidated net loss for 2020 was \$4,441 compared to \$1,986 for 2019, an increase of \$2,455. In addition to measures taken by the Company to reduce costs for Q3 and Q4 2020, the Company received \$1,619 in government assistance from the Canada Emergency Wage Subsidy program and the U.S. Paycheck Protection Program.

Significant Corporate Accomplishments in Q4 2020:

Significant accomplishments made during Q4 2020 include:

- Sold a 10kW machine to Intakt Snacks, which doubles their royalty-bearing manufacturing capacity for cheese snacks in Chile. The increased capacity was necessary after Intakt Snacks secured meaningful new distribution for its products in both the U.S. and South American markets.
- Sold a 10kW machine to Metamount Schweiz AG for the commercial drying of medical hemp for cannabidiol extraction in Switzerland.
- Signed an exclusive royalty-bearing commercial license agreement with Dairy Concepts IRL ("DCI"), a leader in innovative dairy snacks. DCI has rights to use REV™ technology in Ireland and the United Kingdom and is paying EnWave fees to retain exclusivity until it purchases large-scale machinery in 2021.
- Signed an exclusive royalty-bearing commercial license agreement with Orto Al Sole Di Gandini Claudio ("Orto Al Sole"), a family-owned Italian fruits and vegetable producer. Orto Al Sole purchased a 10kW machine to initiate commercial production of premium dried fruit and vegetable snack products for the European market.
- Entered three new technology evaluation agreements with major food companies interested in developing new products using REV™ technology. Under the technology evaluation period the future prospective licensees will rent pilot-scale machinery for internal product development work.
- Obtained a Health Canada cannabis research license for the Company's pilot plant facility and completed the build-out of a cannabis R&D lab to conduct in-house testing. With an in-house Health Canada licensed facility EnWave is better positioned to conduct demonstration trials as well as collect data to assist with our cannabis sales strategy.
- Executed a month-long national promotion for Moon Cheese® at Costco in the U.S. and had the product on-shelf in all U.S. regions under a promotional discount. The majority of product for this promotion shipped in September 2020 and reported in Q4 2020, with a smaller portion shipped in

October 2020 that will be reported in Q1 2021. The major shipment liquidated a substantial portion of NutraDried's inventory, improving the balance sheet and cash position of the Company.

- Commissioned three 10kW machines for companies internationally, including two remotely. EnWave developed a remote installation and training program for 10kW machines in response to international travel restrictions due to COVID-19 and intends to complete additional remote installations to expedite the start-up of new 10kW machinery.

Significant accomplishments made after Q4 to the date of this release include:

- Secured a purchase order for a 100kW REV™ machine from Patatas Fritas Torres ("Torres"), a royalty partner of the Company producing cheese snack products in Spain. The purchase of the 100kW machine marks the scale-up of another global dairy partner for the large-scale production of cheese snacks.
- Signed an exclusive royalty-bearing license agreement with NuWave Foods, Inc ("NuWave"), a Canadian company focused on commercializing innovative shelf-stable donut and bakery products. NuWave has made a non-refundable deposit to secure 70kW of REV™ machinery for its facility in Edmonton. The Company aims to confirm the purchase order for this machinery early in 2021.
- Signed an exclusive royalty bearing license with Nippon Trends Food Service, Inc. ("Nippon Trends") for the use of EnWave's dehydration technology for the commercial production of ready-to-eat ramen noodle products. Nippon Trends purchased a 10kW REV™ machine to initiate commercial production in Canada.
- Confirmed the first royalty-bearing commercial license agreement for cannabis dehydration in the United States with HHC Holdings, LLC d.b.a. GentleDry Technologies. GentleDry Technologies will initiate commercial production with a 10kW REV™ machine.
- Advanced the joint development agreement with GEA Lyophil GmbH ("GEA") for the development and scale-up of GMP-pharma machinery for the global pharmaceutical industry. GEA has purchased a lab-scale REV machine for installation at its pilot facility in Hürth, Germany, and plans to utilize the machine to showcase the capabilities of microwave-assisted lyophilization technology to prospective target customers.
- Shipped the first of two 120kW machines to Aurora Cannabis Inc. ("Aurora") for installation in early 2021 at its facilities in Alberta.
- Made significant progress in December toward the installation and start-up of two additional large-scale REV™ machines for royalty-bearing processing in Costa Rica and Peru.
- Completed the remote commissioning of three additional 10kW machines for royalty partners internationally.
- Obtained TSX Venture Exchange approval for a Normal Course Issuer Bid ("NCIB") for the Company to acquire up-to 10,918,104 common shares, representing 10% of the public float.

Conference Call

The Company has scheduled a conference call to discuss the results for its fiscal year, fourth quarter ended September 30, 2020 and fiscal 2021 outlook Monday, December 21st, 2020 at 7:00 a.m. Pacific Time (10:00 a.m. Eastern Time). Brent Charleton, Chief Executive Officer, John Budreski, Executive Chairman and Dan Henriques, Chief Financial Officer will host the call and a question and answer period.

Date: December 21, 2020
Time: 7:00am PST / 10:00am EST
Participant Access: 1-877-407-2988 (toll free number)

Webcast: <https://78449.themediaframe.com/dataconf/productusers/enw/mediaframe/42117/index1.html>

(*) 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 or recovery, and non-recurring impairment, restructuring and severance charges and government assistance. 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 annual MD&A for year-ended September 30, 2020.

About EnWave

EnWave Corporation, a Vancouver-based advanced technology company, has developed a Radiant Energy Vacuum ("REV™") – an innovative, proprietary method for the precise dehydration of organic materials. EnWave has further developed patented 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 forty royalty-bearing licenses to date spanning twenty countries and five continents. 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.

EnWave is also active in the pharmaceutical industry through a joint development agreement with GEA Lyophil, a leader in GMP drying machinery.

More information about EnWave is available at www.enwave.net.

EnWave Corporation

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