



**EnWave Announces 2020 Third Quarter  
Consolidated Interim Financial Results and Corporate Strategy Update**

Vancouver, B.C., August 28<sup>th</sup>, 2020

**EnWave Corporation (TSX-V:ENW | FSE:E4U) ("EnWave", or the "Company")** today reports the Company's consolidated interim financial results for the third quarter ended June 30, 2020.

**Consolidated Financial Performance:**

(\$ '000s)	Three months ended June 30,			Nine months ended June 30,		
	2020	2019	Change %	2020	2019	Change %
Revenues	<b>5,998</b>	10,075	(40%)	<b>22,099</b>	26,654	(17%)
Direct costs	<b>4,441</b>	7,217	(38%)	<b>15,483</b>	17,639	(12%)
Gross margin	<b>1,557</b>	2,858	(46%)	<b>6,616</b>	9,015	(27%)
Operating expenses						
General and administration	<b>1,197</b>	1,118	7%	<b>4,513</b>	3,165	43%
Sales and marketing	<b>1,449</b>	1,203	20%	<b>5,188</b>	3,263	59%
Research and development	<b>396</b>	665	(40%)	<b>1,412</b>	1,375	3%
	<b>3,042</b>	2,986	2%	<b>11,113</b>	7,803	42%
Net loss for the period after taxes	<b>(1,166)</b>	(1,322)	12%	<b>(4,442)</b>	(1,561)	(185%)
Adjusted EBITDA(*)	<b>(1,034)</b>	139	(844%)	<b>(3,239)</b>	2,304	(241%)
Loss per share – basic and diluted	<b>\$ (0.01)</b>	\$ (0.01)		<b>\$ (0.04)</b>	\$ (0.02)	

\* Adjusted EBITDA is a non-IFRS financial measure. Refer to the disclosure below regarding non-IFRS financial measures 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 Q3 (expressed in '000s):**

- Revenue from EnWave in Q3 2020 was \$1,609 compared to \$5,075 in Q3 2019, a decrease of \$3,466 or 68%. The decrease in revenue was due to a slowdown in large-scale Radiant Energy Vacuum ("REV™") machinery sales primarily to cannabis royalty partners.
- Revenue from NutraDried in Q3 2020 was \$4,389 compared to \$5,000 in Q3 2019, a decrease of \$611 or 12%. NutraDried revenues were downwardly impacted by several retailers in the U.S. that were required to close during the early months of the COVID-19 lockdown. Lower revenue derived from retail sales was offset by a 160% increase in online sales during the quarter.
- Gross margin for Q3 2020 was 26% compared to 28% for Q3 2019, with the lower gross margin driven by a change in sales mix, with proportionately lower NutraDried revenues, paired with lower overhead absorption at NutraDried with curtailed production volume.
- SG&A expenses (inclusive of R&D expenses) for Q3 2020 were \$3,042 compared to \$2,986 for Q3 2019 and \$3,835 for Q2 2020. In March 2020, the Company implemented a cost containment

strategy to lower SG&A expenses across both business units. For Q3 2020, SG&A expenses were reduced by \$793 compared to Q2 2020. EnWave and NutraDried remain focused on reducing non-essential and discretionary expenses to reduce overhead while maintaining operations in response to COVID-19 challenges.

- Reduced company-wide overhead expenses by \$1.0 million over three- months relative to Q2 2020; the result of bold and significant cost containment measures implemented in response to the current global pandemic.
- Consolidated net loss after taxes was \$1,166 for Q3 2020 compared to a net loss \$1,322 for Q3 2019. Adjusted EBITDA<sup>(\*)</sup> was negative \$1,034 for Q3 2020, compared to positive \$139 for Q3 2019, a decrease of \$1,173. The decrease to Adjusted EBITDA<sup>(\*)</sup> reflects the negative impacts of COVID-19 on the Company, including the delay in commissioning of several REV™ machines caused by international travel restrictions and disruptions to retail distribution of Moon Cheese® in Canada and the U.S.
- Maintained a strong balance sheet with a working capital surplus of \$23,780 and cash balance of \$15,559. Our cash position was unchanged from Q2 2020, a result of the cost containment strategies implemented in the quarter. The Company is well positioned with a robust treasury to advance the expansion of the global deployment of REV™ technology.

### **Q3 Significant Accomplishments:**

Significant accomplishments made during Q3 2020 and to the date of this report include:

- 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 REV™ machine to initiate commercial production of premium dried fruit and vegetable snack products for the European market.
- Signed a royalty-bearing commercial license agreement with Pick-One S.A. de C.V. (“Pick-One”) following a successful evaluation and development of shelf-stable snack prototypes. Pick-One will be producing dried cheese and fruit snacks using REV™ technology for the retail grocery market in Mexico. Pick-One has begun royalty-bearing commercial operations using a 10kW REV™ machine at its Chihuahua manufacturing facility in Mexico.
- Signed an equipment purchase agreement with Calbee Inc. (“Calbee”), Japan’s largest snack food company with global operations, for an additional two 10kW REV™ machines to be installed in Japan in preparation for the commercial launch of REV™-dried snack products. Calbee has successfully developed several “better-for-you” snack products internally using REV™ technology and intends to intensify its commercialization, focusing on premium, healthy fruit and vegetable snack products.
- Completed the installation of a 60kW REV™ processing line for The Green Organic Dutchman Holdings Ltd. (“TGOD”) in Ancaster, Ontario. EnWave has completed training TGOD personnel on the commercial use of EnWave’s machinery for the dehydration of cannabis and expects to begin accruing royalties starting in Q4 2020. This fully commissioned REV™ system producing high-quality flower products demonstrates the value proposition of using EnWave’s technology for large-scale cannabis producers.
- Developed a remote installation program which enables our partners to skillfully collaborate with our engineering department to commission a 10kW REV™ machine to counter the travel restrictions imposed by COVID-19 on our business operations and ability to earn royalties. EnWave and its licensed partner, Responsible Foods, located in Iceland, completed the first successful remote commissioning of a 10kW REV™ dehydration machine and plans to replicate this remote commissioning program with other partners while there are restrictions on international travel.
- Completed the fabrication of a 100kW REV™ processing line including an auxiliary materials conveyance system, for Fresh Business, a Peruvian royalty partner. The machine was crated and

shipped to Peru and will be installed for the royalty-bearing commercial manufacture of premium fruit and vegetable products intended for export to Western markets.

- Secured an October 2020 national promotion with a major club retail customer in the U.S. for the 10oz Cheddar Moon Cheese® product, where the product will be sold in all U.S. regions of the customer under a promotional discount. This promotion will run in all U.S. stores of the major club retailer for the month of October, and will liquidate a substantial portion of NutraDried's inventory, improving the balance sheet and cash position of the Company.
- Signed three new Technology Evaluation and License Option Agreements with companies that will rent 10kW REV™ machinery to evaluate the commercialization of new and innovative products that leverage the Company's patented dehydration technology.
- Redesigned the mooncheese.com website to be more interactive and consumer friendly, and more effective in communicating our core advantages, with a focus on growing the high-margin online sales of Moon Cheese®. The newly improved website was operating for Q3 2020 and online sales for NutraDried increased 160% year-over-year in the period.

### **REVworx™ Toll Manufacturing Division:**

EnWave intends to start a new operating division called "REVworx™" that will serve as a toll manufacturing facility for companies seeking third-party manufacturing resources to launch new and innovative REV™-dried products into the marketplace. At present, there are no large-scale REV™-processing facilities that have flexible toll manufacturing capability in North America, and there is a growing demand from consumer products companies for this service.

With the internal capacity to toll manufacture REV™ products, EnWave expects to accelerate the commercial introduction of REV™ products into the consumer marketplace while building a recurring revenue business through tolling contracts. Management anticipates this service will complement its global machine sales and royalty-licensing business model by enabling access to REV™ machinery for companies that would otherwise not pursue in-house commercial adoption of the technology.

The project is in the initial stages of planning, including identifying a suitable facility locally in Metro Vancouver to install a large-scale REV™ processing line and auxiliary equipment. The Company aims to secure a facility and have it ready for commercial food production in early calendar 2021.

### **Cost Containment Strategy:**

The effects of the COVID-19 pandemic and measures to prevent its spread have had an impact on our operations and financial performance, and as a result, we undertook prudent measures to maintain a strong financial position by reducing expenses and managing short-term liquidity. The steps taken by the Company include:

- Curtailed non-essential and discretionary expenses across all segments of the business, including manufacturing overheads and SG&A expenses as well as R&D expenses.
- Reduced manufacturing overheads by sub-leasing two underutilized warehouse units at EnWave's Delta facility.
- Postponed or cancelled international business travel and in-person tradeshows.
- Eliminated the use of contractors wherever possible and in-sourced several functions that were previously managed by external contractors.
- Downsized staff by 36 full-time employees (19 at NutraDried and 17 at EnWave).
- Reduced NutraDried's marketing programming budget for the balance of the year and reallocated the reduced budget to channels expected to yield near-term positive results.
- Leveraged the Canada Emergency Wage Subsidy ("CEWS") program in Canada, and the Paycheck Protection Program ("PPP") and the Economic Injury Disaster Loan ("EIDL") program in the U.S.

As a result of these cost containment strategies implemented starting in Q3 2020, the Company has significantly reduced overhead expenses by approximately \$1.0 million in Q3 vs Q2 2020. The Company aims to be prudent in managing expenses and liquidity while maintaining the ability to rapidly scale-up when economic conditions improve.

### **COVID-19 Pandemic:**

Since the beginning of the global pandemic, we have and continue to prioritize the health and safety of our employees and their families, and our partners. We continue to follow all of the regulations set by Provincial and State governments and health authorities in all markets in which we operate our business.

The international travel restrictions imposed globally to contain the spread of the virus continues to have an impact on EnWave's international operations. Our ability to meet with prospective global partners and to complete the installations of additional royalty-bearing REV™ machines have been temporarily impaired due to the pandemic which delays our achievement of billing milestone payments and commencement of commercial production and the related royalties.

EnWave has developed a remote installation program for 10kW machines, which has allowed certain willing partners to collaborate remotely with EnWave's engineers to commission a 10kW REV™ machine. During Q3 2020, we had one partner successfully complete a remote installation and we are currently working with others to complete this task. The option to remotely install machines is dependent upon our partners' technical capacity and willingness, and some partners have chosen to wait until EnWave staff can be sent to their site for installation. The timing of these installations is highly dependent on international travel restrictions that are in place and prolonged international travel restrictions will impact our ability to conduct our business.

COVID-19 caused distribution challenges for NutraDried's products with retail store closures and many retailers pausing new product evaluations. Early in the pandemic, many states imposed shelter-in-place orders that caused a decrease in demand for on-the-go snack products, and many of our retail customers closed entirely for an extended period of time, negatively impacting sales. As the retail environment has now improved in most states, the Company is optimistic that this impact was temporary and should improve over the coming quarters.

Additionally, many retailers in the U.S. that the Company was targeting for new distribution temporarily halted adding new products due to the pandemic, which challenged our ability to secure meetings with buyers to gain new points of distribution for Moon Cheese®. Despite the challenges of the pandemic, NutraDried's sales and distribution have improved since the start of the pandemic, with June 2020 revenues being the highest monthly shipments in the quarter. Management is optimistic for improved distribution for Moon Cheese® products over the coming quarters as retailers continue to re-open safely and retail supply chains stabilize.

The extent to which COVID-19 may impact our financial and operational performance will depend on future developments, including the duration and severity of COVID-19 in the markets in which we operate. We cannot presently forecast the full duration and magnitude of COVID-19's impacts on our business over time, or the pace of recovery from the pandemic across our end markets, operations, and supply chains.

### **(\*) 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 taxes, non-recurring impairment and restructuring charges and government grants. 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 nine months ended June 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 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.

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](http://www.enwave.net).

### **EnWave Corporation**

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