



Kontrol Energy Announces Q3 2019 Financial Results

Q3 Year to Date Revenue Grows 64% Year on Year

TORONTO, ON / November 28th, 2019 / Kontrol Energy Corp. ([CSE: KNR](#), [OTCQB: KNRLF](#), [FSE:1K8](#)) ("Kontrol" or 'Company') a leader in the energy efficiency sector through IoT, Cloud and SaaS technology announces its financial results for the third quarter ended September 30th, 2019.

A complete set of Financial Statements and Management's Discussion & Analysis will be filed on SEDAR (www.sedar.com) on November 28th. A conference call to discuss the Q3 2019 financial results has been scheduled for November 28th at 5:00pm (EST). See details below.

"Year to date we have demonstrated strong organic growth across our platform and the creation of strategic partnerships with global brands," says Paul Ghezzi, CEO. "We have delivered our fourth consecutive quarter of positive EBITDA and have successfully refinanced our balance sheet to position towards accelerating growth."

Highlights

- Revenue for the nine months ended September 30, 2019 was \$10.9 million, up 64% over the comparative period in the prior year
- Revenue for the three months ended September 30, 2019 was \$3.3 million, up 36% over the comparative quarter in the prior year
- Adjusted EBITDA for Q3 2019 and Year to Date was \$206,435 and \$707,263 respectively
- Accelerating software as a service platform (SaaS) operating in 200 commercial buildings with approximately of \$1 million in recurring revenue
- Strong organic growth driven by new customer acquisition
- Kontrol Energy received its first Smart Factory order from Toyota Tsusho Canada in Q3 for the deployment of IoT enabled energy monitoring and facility improvement. Kontrol and Toyota Tsusho Canada seek to deliver Smart Factory solutions to more than 200 factories across North America
- Kontrol Energy secured a pilot with global leading plant-based meat substitute company which was successfully completed in Q4 2019
- Guidance for 2020 was provided with full year revenue to more than double in the range of \$32 million to \$35 million and Adjusted EBITDA of \$3.0 million to \$3.7 million.

“We continue to deliver on our business plan and are winning some of the world’s leading brands as customers,” continues Paul Ghezzi. “While we report quarterly as a public company, we are much more focused on year over year growth and establishing a platform which will deliver strong organic growth for years to come,” continued Paul Ghezzi. “We are diligently managing our capital structure as we continue to grow and anticipate that these new global customers will accelerate our recurring revenues through software as a service (SaaS) and IOT connected devices.”

Strategic Initiatives and 2020

Recently the Company has announced a strategic partnership with Toyota Tsusho for Smart Factories, an entry into the Saudi Arabia market through an established local partner and the successful completion of a pilot with a global leading plant-based meat substitute company. With these strategic initiatives in place the Company anticipates that for 2020 full year revenue to more than double in the range of \$32 to \$35 million and Adjusted EBITDA of \$3.0 million to \$3.7 million.

Seasonality and Timing of Revenue

As a significant portion of the Company’s revenues are derived from project integration there can be seasonality and timing as to when projects are completed, and revenue is billed. The first Toyota Tsusho order moved from Q3 to Q4 due to timing and two combined heat and power projects, previously announced moved from Q3 to Q1 2020. This had an impact of approximately \$600,000 of revenue difference in Q3.

Q3 2019 Financial Highlights

The Company experienced a strong year to date 2019 performance with revenue and EBITDA higher compared to same period in the prior year. Third quarter of 2019 represents the fourth consecutive quarter of positive Adjusted EBITDA.

Financial Results	Three months ended		Nine months ended	
	Sept 30, 2019	Sept 30, 2018	Sept 30, 2019	Sept 30, 2018
Revenue	\$3,266,270	\$2,408,303	\$10,856,816	\$6,632,091
Gross profit	\$1,709,248	\$1,612,802	\$5,465,008	\$4,459,715
Net loss	\$(692,175)	\$(443,742)	\$(1,968,653)	\$(1,774,672)
Basic and Diluted EPS	\$(0.02)	\$(0.02)	\$(0.07)	\$(0.07)
Add for adjusted EBITDA reconciliation:				
Amortization & depreciation	\$486,187	\$224,489	\$1,355,686	\$728,766
Finance expense	\$272,458	\$135,242	\$779,277	\$376,590
Share based compensation	\$72,686	\$19,464	\$462,576	\$208,809
Acquisition related expenses	\$67,279	\$73,000	\$78,377	\$92,250
Adjusted EBITDA*	\$206,435	\$8,453	\$707,263	\$(368,257)

Revenue increased by 36% and 64% for Q3 2019 and Year to Date respectively over the comparative periods in the prior year. Gross profit for the nine months ended September 30, 2019 was \$5.4 million an increase of \$1 million over the comparative period in the prior year. Gross margin for the nine months ended September 30, 2019 was 50% compared to 67% for the same period in the prior year. The gross margin is in line with management’s expectations and reflects the adjusted mix of revenue and cost of sales under a growing organization with changing product and service offerings.

Adjusted EBITDA for the three months ended September 30, 2019 was \$206,435 compared to \$8,453 for the third quarter in the prior year. For the nine months ended September 30, 2019, Adjusted EBITDA improved to \$707,263 compared to negative \$(368,257) in the same period of 2018.

The impact of accretive acquisition and overall scaling of operations has resulted in lower operating expenses as a percentage of revenue. Total operating expenses (excluding share-based compensation) for the nine months ended September 30, 2019 was \$5.7 million or 57% of revenue and that compares to a ratio of 79% in the same period of 2018. This improvement demonstrates the favourable impact on earnings as Corporate overhead expenses are spread over a much larger and growing revenue base.

Cash flows from operating activities was \$221,518 for the nine months ended September 30, 2019. For the nine months ended September 30, 2018, cash flows used in operating activities was \$1,424,438. This is a significant positive change of \$1,645,956 and reflects strong working capital management and improved operational performance. This positive change is also due to the application of IFRS 16, which requires the recognition of lease contracts on a lessee's statement of financial position as a lease liability and a right-of-use asset.

Q4 2019 Outlook

Kontrol anticipates that total revenues for 2019 will be in the range of \$15 to \$16 Million with the difference being timing of projects completed and billed. That represents an increase of approximately 40% over 2018 revenues and driven by strong organic growth and new customer acquisition.

Kontrol is currently in final negotiations with the previously announced acquisition of an electrical retrofit company (the Vendor). The Vendor is required to deliver financial statements to Kontrol and an updated final purchase and sale agreement. Should the transaction be completed prior to year end Kontrol will exit 2019 on a run rate of approximately \$23 Million. Factors expected to influence the ending revenue run rate for Kontrol are the timing of the closing of the potential acquisition and the completion of certain projects prior to year end.

** Adjusted EBITDA is a non-IRFS financial measure. The Company defines Adjusted EBITDA as net income or loss before interest, income taxes, amortization and depreciation, share based compensation, and acquisition related expenses.*

Conference Call Details

Thursday, November 28, 2019 5:00 PM – 5:30 PM EST

Please join my meeting from your computer, tablet or smartphone.

<https://global.gotomeeting.com/join/955718645>

You can also dial in using your phone.

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Access Code: 955-718-645

About Kontrol Energy

Kontrol Energy Corp. (CSE: KNR) (OTCQB: KNRLF) (FSE: 1K8) is a leader in the energy efficiency sector through IoT, Cloud and SaaS technology. With a disciplined mergers and acquisition strategy, combined with organic growth, Kontrol Energy Corp. provides market-based energy solutions to our customers designed to reduce their overall cost of energy while providing a corresponding reduction in greenhouse gas (GHG) emissions.

Kontrol Energy is one of Canada's fastest growing companies in 2018 and 2019 as ranked by Canadian Business and Maclean's.



Additional information about Kontrol Energy Corp. can be found on its website at www.kontrolenergy.com and by reviewing its profile on SEDAR at www.sedar.com



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