



Pioneer Power Solutions, Inc.

Third Quarter 2021 Earnings Results Call

November 16, 2021

C O R P O R A T E P A R T I C I P A N T S

Brett Maas, *Hayden Investor Relations*

Nathan Mazurek, *Chairman and Chief Executive Officer*

Walter Michalec *Chief Financial Officer*

P R E S E N T A T I O N

Operator

Good day, and welcome to the Pioneer Power Solutions Inc. Third Quarter 2021 Earnings Results Call. Today's conference is being recorded.

At this time, I would like to turn the conference over to Mr. Brett Maas from Hayden IR. Please go ahead, sir.

Brett Maas

Thank you, and welcome, everyone.

The call today will be hosted by Nathan Mazurek, Chairman and Chief Executive Officer, and Walter Michalec, Chief Financial Officer. Also on the call, today is Geo Murickan, President of the Company's recently-launched Pioneer Power Mobility business unit.

Following this discussion, there will be a Q&A session open to participants on the call. We appreciate the opportunity to discuss recent business highlights and review the third quarter financial results.

Before we get started, let me remind you this call is being recorded and webcast. The text of the Management's prepared remarks will be made available in the coming days on the Company's website. During this call, Management will make forward-looking statements. These statements are based on the current expectations and assumptions and are subject to risk and uncertainties that could cause actual results to differ materially.

Please refer to the cautionary text regarding forward-looking statements contained in the earnings release issued earlier today and in the posted version of the prepared remarks, both of which apply to the content of the call.

I'd now like to turn the call over to Nathan Mazurek, Chairman and CEO. Nathan, please go ahead.

Nathan Mazurek

Thank you, Brett.

I am pleased to update you on the progress of our strategic shift to concentrate on products and services that directly respond to the rapidly growing distributed generation and electric vehicle charging markets. We are successfully leveraging decades of power solution experience by applying it to the design and manufacture of unique and innovative products for the aforementioned markets.

Earlier this year, we introduced E-Bloc, a compact integrated outdoor system that allows end users to add and control multiple sources of electrical energy. In our most recent quarter, we successfully delivered in excess of \$1.8 million of E-Bloc product and related equipment. The current backlog for E-Bloc products is strong and growing, with the majority of shipments scheduled for the first half of 2022.

Last week, we introduced E-Boost, a portfolio of low carbon mobile charging solutions and is initially comprised of three products:

E-Boost, the GOAT, Generator on A Truck, is a truck-mounted option that brings on-demand, high-capacity charging to EV truck and car owners at any convenient location;

E-Boost Mobile is a trailer-mounted solution that provides multiple options for towing and can be available at specific businesses, large sports and cultural events, and relocated with minimal effort on short notice;

E-Boost Pod is a stationary EV charging solution with customizable higher capacity that can also service other power needs, especially in emergency situations such as a power outage, serving as a back-up power source with convenient power connectors and outlets available on board.

The timely launch and introduction of these products have rewarded Pioneer with significant sales and overwhelming interest from the various vertical markets. We believe our early entry and the uniqueness of these products will allow us to capture a significant share of these new and fast-growing addressable markets.

With that, let me turn the call over to Walter to discuss our financial results.

Walter Michalec

Thank you, Nathan, and good afternoon, everyone.

Revenues were \$5.7 million for the third quarter of 2021, up 40% year-over-year compared to \$4.1 million in the third quarter of 2020. The increase was primarily driven by an increase in sales of our switchgear equipment. Revenue from our switchgear product lines increased by \$1.5 million, or approximately 100% compared to the same period last year, as a result of increased sales of our automatic transfer switches and the medium voltage switchgear equipment.

Gross profit for the third quarter of 2021 was \$713,000, or 13% of revenues, compared to \$739,000, or approximately 18% of revenues, in the year-ago quarter. The decline in gross profit and gross margin was primarily due to a higher cost of goods as a result of global supply chain challenges, a tighter labor market, and inflationary pressures.

Our operating loss for the third quarter of 2021 was \$518,000, an increase of 15% when compared to an operating loss of \$451,000 in the third quarter of 2020. Net loss for the third quarter of 2021 was \$434,000 or negative \$0.05 per basic and diluted share, compared to net income of \$1.3 million, or \$0.15 per basic and diluted share in the year-ago quarter.

Now, turning to the nine-month financial results for the period ended September 30, 2021. Revenues for the nine months were \$14.8 million, compared to \$14.1 million in the comparable period of 2020, an

increase of approximately 5%. This increase is largely the result of an increase in sales of our switchgear equipment.

For the nine months ended September 30, 2021, our gross profit was \$1.4 million, or 9% of revenues, an increase of 120% when compared to a gross profit of \$618,000, or 4% of revenues, in the year-ago period.

Operating loss for the first nine months of 2021 decreased by \$1 million to loss of \$2.4 million when compared to an operating loss of \$3.4 million in the year-ago period. Net loss was \$769,000, or negative \$0.09 per basic and diluted share, compared to a net loss of \$2.2 million, or negative \$0.26 per basic and diluted share, in the year-ago period.

Turning to the consolidated balance sheets, we had cash, including restricted cash of \$5.1 million and no bank debt at September 30, 2021, compared to cash of \$7.6 million and debt of \$1.4 million at December 31, 2020. Subsequent to the end of the third quarter, we strengthened our balance sheet with \$8.7 million in net proceeds from the sales of common stock at an average price of approximately \$10.13 per share under the ATM program.

We intend to use the net proceeds from these recent sales of common stock for general corporate purposes, which may include among other things, working capital and/or capital expenditures. We may also use the proceeds to fund acquisitions of businesses, technologies, or product lines that complement our current business.

Nathan Mazurek

This concludes our prepared remarks.

Before I turn the call back to the Operator, I will note for the question-and-answer period that we do have on the line with us, Mr. Geo Murickan, who is the President and leader of the Pioneer Power Mobility business, which is the home for the recently launched E-Boost suite of products.

Operator, back to you for questions.

Operator

Thank you.

There doesn't appear to be any questions on the phone at this time. Please continue.

Nathan Mazurek

Okay. Thank you, Ron. Thank you all for your time and support, and we look forward to updating you again on our next call.

Operator

Ladies and gentlemen, this concludes today's call. Thank you for your participation and you may now disconnect your lines.