



D-BOX Technologies Reports First Quarter Results for FY 2023

Highlighted by strong profitable growth

- **Total revenues increased 125% year-over-year to \$7.1 million, driven by ticket sales of blockbuster movies and full reopening of entertainment venues**
- **Rights for use, rental and maintenance revenues surged more than threefold year-over-year to reach a quarterly record of \$2.8 million**
- **System revenues grew 69% year-over-year to \$4.3 million**
- **Profit improved to \$29 thousand from a loss of \$1.3 million in the first quarter of 2022**
- **Adjusted EBITDA* reached \$0.6 million, positive for a fourth consecutive quarter**
- **Vesaro partners with D-BOX to equip up to 30 Formula 1® - licensed Sim Racing entertainment centres. The first site opening in London, England by the end of 2022**

Longueuil, Québec, August 11, 2022 – D-BOX Technologies Inc. (“D-BOX” or the “Corporation”) (TSX: DBO) a world leader in haptic and immersive experiences, announced today financial results for the first quarter of fiscal 2023 ended June 30, 2022. All dollar amounts are expressed in Canadian currency.

“We are pleased with our strong financial performance in the first quarter of fiscal 2023 with revenues more than doubling year-over-year to \$7.1 million, driven by ticket sales of blockbuster movies like *Top Gun: Maverick* and *Doctor Strange in the Multiverse of Madness* along with the full reopening of entertainment venues,” said Sébastien Mailhot, President and Chief Executive Officer of D-BOX. “In fact, rights for use revenue in the first quarter of 2023 represented a record quarter for D-BOX in terms of tickets sold across movie-theatres equipped with our haptics-based seats. Equally important, it marked our fourth consecutive quarter of positive adjusted EBITDA, demonstrating the leverage in our operating model.”

“Although the release of several movies with a broad appeal in the first quarter was unprecedented for the theatrical market, we have diverse growth drivers like themed entertainment, professional simulation, Sim Racing and PC gaming that should continue our profitable growth momentum throughout the year. The partnership deal with Vesaro is for the deployment of a Formula 1 - licensed, Sim Racing entertainment centre. A first venue equipped with 60 immersive racing simulators will be installed in London, England by the end of calendar 2022 with the potential for 30 venues worldwide over the next five years. In collaboration with Mercedes, we also showcased two D-BOX Motion Zones (mini-theatres) and five racing simulators at the Grand Prix de France last month to recreate the exhilarating experience of driving a Formula One racing car. Participating in this prestigious event enhances customer engagement for our racing simulation systems and elevates our brand globally as we’re proud owners of the first haptic system licensed by the Fédération Internationale de l’Automobile (FIA). On the home entertainment front, we’re expecting revenue recognition from new haptics-integrated gaming chairs before the end of the calendar year. As a



result, we're highly optimistic about our growth potential for fiscal 2023 and beyond," Mr. Mailhot added.

Selected Financial Information (in thousands of dollars, except per share amounts and percentages)		
	Quarter ended June 30	
	2022	2021
Total revenues	7,113	3,163
Rights for use, rental and maintenance revenues	2,792	612
System revenues	4,321	2,551
Gross margin excluding amortization*	60%	59%
Profit (loss)	29	(1,344)
Adjusted EBITDA*	605	(598)
	As at June 30, 2022	As at March 31, 2022
Cash and cash equivalents	3,826	3,937

*See the Non-IFRS Financial Performance Measures section in this news release for more information.

"We met all our financial targets for the first quarter of 2023 with the exception of gross margin, which was affected by inflationary pressure and supply-chain issues for electronic components," said David Montpetit, Chief Financial Officer of D-BOX. "To cope with these current market disruptions, we have implemented pricing increases for our products and built up our inventory of components. These actions should mitigate the impact on our gross margin."

FIRST QUARTER OVERVIEW

Total revenues increased 125% to \$7.1 million in the first quarter of fiscal 2023, driven by ticket sales of blockbuster movies like *Top Gun: Maverick* and *Doctor Strange in the Multiverse of Madness* and the full reopening of entertainment venues following the prolonged COVID-19 pandemic.

Rights for use, rental and maintenance revenues surged 356% year-over-year to \$2.8 million in the first quarter of fiscal 2023, while revenues related to system sales improved 69% to \$4.3 million. Both business segments benefited from the absence of government-imposed health measures in North American and European markets during the first quarter of fiscal 2023 compared to more restrictive measures during the same period last year.

Gross profit excluding amortization* amounted to \$4.3 million, or 60% of sales, in the first quarter of fiscal 2023 compared to \$1.9 million, or 59% of sales, in the same period of 2022. The year-over-year increase can mainly be attributed to the growth of rights for use, rental and maintenance revenues that generate higher margins.



Selling and marketing expenses totaled \$1.5 million, or 22% of sales in the first quarter of fiscal 2023 compared to \$1.1 million, or 36% of sales, in the first quarter of 2022. Administration expenses reached \$1.6 million, or 22% of sales, in the first quarter of fiscal 2023 compared to \$1.0 million, or 32% of sales, in the same period of 2022.

Research and development (R&D) expenses attained \$0.9 million, or 12% of sales, in the first quarter of fiscal 2023 compared to \$0.5 million, or 16% of sales, in the same period last year.

Profit totaled \$29 thousand in the first quarter of fiscal 2023 compared to a loss of \$1.3 million in the first quarter of 2022.

Adjusted EBITDA amounted to \$0.6 million in the first quarter of fiscal 2023 compared to -\$0.6 million in the same period of 2022. It marked the fourth consecutive quarter of positive adjusted EBITDA for the Corporation.

At quarter-end, D-BOX had a cash position and undrawn credit facilities totaling \$6.7 million. On July 8, 2022, the Corporation signed an agreement with the National Bank of Canada ["NBC"] related to a loan amounting to \$1 million for the ongoing operations and working capital of the Corporation. This loan bearing interest at the Canadian Prime Rate plus 1.75% is repayable in monthly principal payments of \$19 thousand from the 6th month after the first disbursement, and the balance at maturity 12 months after the second disbursement. The loan is secured by second-ranking hypothec and security interests on all assets of the Corporation and its U.S. subsidiary and is guaranteed by the Business Development Bank of Canada ("BDC").

ADDITIONAL INFORMATION REGARDING THE FIRST QUARTER ENDED JUNE 30, 2022

The financial information relating to the first quarter ended June 30, 2022 should be read in conjunction with the Corporation's audited consolidated financial statements and the Management's Discussion and Analysis dated August 11, 2022. These documents are available at www.sedar.com.

NON-IFRS FINANCIAL PERFORMANCE MEASURES*

D-BOX uses two non-IFRS financial performance measures in its MD&A and other communications. The non-IFRS measures do not have any standardized meaning prescribed by IFRS and are unlikely to be comparable to similarly titled measures reported by other companies. Investors are cautioned that the disclosure of these metrics is meant to add to, and not to replace, the discussion of financial results determined in accordance with IFRS. Management uses both IFRS and non-IFRS measures when planning, monitoring and evaluating the Corporation's performance. The two non-IFRS performance measures are described as follows:

- 1) Adjusted EBITDA provides useful and complementary information, which can be used, in particular, to assess profitability and cash flows from operations. It consists of profit (loss) excluding amortization, financial expenses net of income, income taxes (recovery), impairment charges, share-based payments, foreign exchange (gain) loss and non-recurring expenses related to restructuring costs. The following table reconciles adjusted EBITDA to profit (loss):



(Amounts are in thousands of Canadian dollars)

	Three-month periods ended June 30	
	2022	2021
Profit (loss)	29	(1,344)
Amortization of property and equipment	248	297
Amortization of intangible assets	230	224
Financial expenses	106	153
Income taxes (recovery)	7	(1)
Share-based payments	123	48
Foreign exchange (gain) loss	(138)	25
Adjusted EBITDA	605	(598)

- 2) Gross profit excluding amortization is used to evaluate the Corporation's capacity to generate funds through product sales by considering the cost of these products while excluding the main non-cash item, namely amortization.

ABOUT D-BOX

D-BOX creates and redefines realistic, immersive entertainment experiences by moving the body and sparking the imagination through effects: motion, vibration and texture. D-BOX has collaborated with some of the best companies in the world to deliver new ways to enhance great stories. Whether it's movies, video games, music, relaxation, virtual reality applications, metaverse experience, themed entertainment or professional simulation, D-BOX creates a feeling of presence that makes life resonate like never before. D-BOX Technologies Inc. (TSX: DBO) is headquartered in Montreal with offices in Los Angeles, USA and Beijing, China. Visit D-BOX.com.

DISCLAIMER REGARDING FORWARD-LOOKING STATEMENTS

Certain information included in this press release may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, activities, objectives, operations, strategy, business outlook, and financial performance and condition of the Corporation, or the assumptions underlying any of the foregoing. In this document, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. Forward-looking information, by its very nature, is subject to numerous risks and uncertainties and is based on several assumptions which give rise to the possibility that actual results could differ materially from the Corporation's expectations expressed in or implied by such forward-looking information and no assurance can be given that any events anticipated by the forward-looking information will transpire or occur, including but not limited to the future plans, activities, objectives, operations, strategy, business outlook and financial performance and condition of the Corporation.



Forward-looking information is provided in this press release for the purpose of giving information about Management's current expectations and plans and allowing investors and others to get a better understanding of the Corporation's operating environment. However, readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

Forward-looking information provided in this document is based on information available at the date hereof and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond the Corporation's control.

The risks, uncertainties and assumptions that could cause actual results to differ materially from the Corporation's expectations expressed in or implied by the forward-looking information include, but are not limited to: dependence on suppliers; indebtedness; future funding requirements; global health crises and COVID-19; political, social and economic conditions; strategic alliances; access to content; performance of content; distribution network including inflation and interest rates; concentration of clients; competition; technology standardization; exchange rate between the Canadian dollar and the U.S. dollar; warranty, recalls and lawsuits; intellectual property; security and management of information; credit risk; reputational risk through social media; and dependence on key personnel and labour relations. These and other risk factors that could cause actual results to differ materially from expectations expressed in or implied by the forward-looking information are discussed under "Risk Factors" in the Corporation's annual information form for the fiscal year ended March 31, 2022, a copy of which is available on SEDAR at www.sedar.com.

Except as may be required by Canadian securities laws, the Corporation does not intend nor does it undertake any obligation to update or revise any forward-looking information contained in the annual information form to reflect subsequent information, events, circumstances or otherwise.

The Corporation cautions readers that the risks described above are not the only ones that could have an impact on it. Additional risks and uncertainties not currently known to the Corporation or that the Corporation currently deems to be immaterial may also have a material adverse effect on the Corporation's business, financial condition or results of operations.

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