

March 10, 2021



Profire Energy Reports Financial Results for Fourth Quarter and Full Fiscal Year 2020

Company Reports Positive Net Income and Operating Cash Flow for Fourth Quarter

LINDON, Utah, March 10, 2021 (GLOBE NEWSWIRE) -- Profire Energy, Inc. (NASDAQ: PFIE), a technology company (the "Company") that provides solutions which enhance the efficiency, safety, and reliability of industrial combustion appliances, today reported financial results for its fourth quarter and full fiscal year ending December 31, 2020. A conference call will be held on Thursday, March 11, 2021 at 1:00 p.m. ET to discuss the results.

Fourth Quarter Summary

- Recognized revenue of \$5.7 million
- Realized gross profit of \$2.8 million or 48.7% of total revenues
- Sequential gross margin improvement
- Net income of \$55,918 or \$0.00 per diluted share
- Generated \$141,723 of cash flow from operations

Full-year Fiscal 2020 Summary

- Recognized revenue of \$21.5 million
- Realized gross profit of \$9.5 million or 44.4% of total revenues
- Reduced operating expenses by \$3.8 million
- Net loss of \$2.2 million or (\$0.05) per share
- Cash and liquid investments of over \$17.6 million and remained debt-free

"The combination of lower demand, as a result of the COVID-19 pandemic, and excess supply, resulting in historically low crude oil prices in the second quarter, made 2020 the most challenging year in our Company's history. We responded swiftly to adjust our operating cost structure, and reduced SG&A expenses by \$3.8 million for the full year. We also generated full-year positive operating cash flow while remaining debt free," said Ryan Oviatt, Co-Chief Executive Officer and CFO of Profire Energy.

Fourth Quarter 2020 Financial Results

Total revenues for the period equaled \$5.7 million, compared to \$4.0 million in the third quarter of 2020 and \$8.1 million in the prior-year quarter. The sequential increase was primarily driven by improving demand caused by higher oil prices in the fourth quarter, with the year-over-year change attributable to lower demand due to the COVID-19 pandemic.

Gross profit was \$2.8 million, compared to \$1.5 million in the third quarter of 2020 and \$3.4 million in the prior-year quarter. Gross margin was 48.7% of revenues, compared to 38.0% of revenues in the prior quarter and 42.0% of revenues in the fourth quarter of 2020. The sequential improvement was due to a higher level of product sales, with the year-over-year differences due to inventory write-offs in 2019.

Total operating expenses of \$2.8 million, was flat quarter over quarter and down significantly from \$4.5 million in the year-ago quarter. The year-over-year improvement was the result of actions taken to reduce expenses and adjust the company's cost structure in response to COVID-19.

Compared with the same quarter last year, operating expenses for G&A decreased 32%, R&D decreased 47% and depreciation decreased by 73%.

Net income was \$55,918 or \$0.00 per diluted share, compared to a loss of \$1.1 million or (\$0.02) per share in the third quarter of 2020 and a net loss of \$1.6 million or (\$0.03) per share in the same quarter last year.

Full Year 2020 Financial Results

Total revenues for the year equaled \$21.5 million, versus \$39.0 million in the prior year. This decrease was primarily driven by lower demand caused by the COVID-19 pandemic and a 31.4% drop in the average oil price during the same period.

Gross profit was \$9.5 million which was down from \$19.5 million last year. Gross margin was 44.4% of total revenues, compared to 50.1% of revenues in the prior year. The decrease was driven by product mix changes and by lower fixed cost coverage due to the decrease in revenues.

Total operating expenses were \$12.6 million, a \$3.8 million reduction from the prior year. This decrease is primarily due to actions taken to reduce expenses and the Company's cost structure in response to COVID-19.

Compared with last year, operating expenses for G&A decreased 21%, R&D decreased 33% and depreciation decreased 32%.

Net loss was \$2.2 million or (\$0.05) per share, compared to a net income of \$2.0 million or \$0.04 per diluted share last year.

Cash and liquid investments totaled \$17.6 million at December 31, 2020 compared to \$18.6 million at the end of 2019, and the Company continues to operate debt-free.

"Though challenging, 2020 represented strong gains for Profire in terms of customer acquisition within our traditional space, as well as to new users in agriculture, aviation,

infrastructure and renewable industries,” stated Cameron Tidball, Co-CEO of Profire Energy. “We plan and expect to continue to prove the validity and fit for our products both in our expanded traditional markets as well as in additional industries as we broaden our installation base and engage with new channel partners.”

Conference Call

Profire Energy Executives will host the call, followed by a question and answer period.

Date: Thursday, March 11, 2021

Time: 1:00 p.m. ET (11:00 a.m. MT)

Toll-free dial-in number: 1-877-705-6003

International dial-in number: 1-201-493-6725

The conference call will be webcast live and available for replay via this link:

<http://public.viavid.com/index.php?id=143713>. The webcast replay will be available for one year.

Please call the conference telephone number five minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting the conference call, please contact Todd Fugal at 1-801-796-5127.

A replay of the call will be available via the dial-in numbers below after 4:00 p.m. ET on the same day through March 25, 2021.

Toll-free replay number: 1-844-512-2921

International replay number: 1-412-317-6671

Replay Pin Number: 13716903

About Profire Energy, Inc.

Profire Energy is a technology company providing solutions that enhance the efficiency, safety, and reliability of industrial combustion appliances while mitigating potential environmental impacts related to the operation of these devices. It is primarily focused in the upstream, midstream, and downstream transmission segments of the oil and gas industry; however, the Company has commenced identifying applications in other industries where their solutions can likely add value. Profire specializes in the engineering and design of burner and combustion management systems and solutions used on a variety of natural and forced draft applications. Its products and services are sold primarily throughout North America. It has an experienced team of sales and service professionals that are strategically positioned across the United States and Canada. Profire has offices in Lindon, Utah; Victoria, Texas; Homer, Pennsylvania; Greeley, Colorado; Millersburg, Ohio; and Acheson, Alberta, Canada. For additional information, visit www.profireenergy.com.

Cautionary Note Regarding Forward-Looking Statements. Statements made in this release that are not historical are forward-looking statements. This release contains forward-looking statements, including, but not limited to statements regarding entry into different industries and hosting a quarterly earnings call. Forward-looking statements are not guarantees of future results or performance and involve risks, assumptions and uncertainties that could cause actual events or results to differ materially from the events or results described in, or anticipated by, the forward-looking statements. Factors that could materially affect such forward-looking statements include certain economic, business, public market and regulatory risks and factors identified in the company's periodic reports filed with the Securities and

Exchange Commission. All forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. All forward-looking statements are made only as of the date of this release and the Company assumes no obligation to update forward-looking statements to reflect subsequent events or circumstances, except as required by law. Readers should not place undue reliance on these forward-looking statements.

Contact:

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Three Part Advisors

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PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

| | As of | |
|--|----------------------|----------------------|
| | December 31, 2020 | December 31, 2019 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 9,148,312 | \$ 7,358,856 |
| Short-term investments (note 2) | 2,388,601 | 1,222,053 |
| Short-term investments - other (note 2) | — | 2,600,000 |
| Accounts receivable, net | 3,719,508 | 5,597,701 |
| Inventories, net (note 3) | 8,414,772 | 9,571,807 |
| Prepaid expenses and other current assets (note 4) | 1,678,428 | 1,672,422 |
| Income tax receivable | 486,154 | 77,385 |
| Total Current Assets | <u>25,835,775</u> | <u>28,100,224</u> |
| LONG-TERM ASSETS | | |
| Long-term investments (note 2) | 6,064,294 | 7,399,963 |
| Financing right-of-use asset | 50,094 | 107,991 |
| Property and equipment, net (note 5) | 12,021,811 | 12,071,019 |
| Intangible assets, net (note 6) | 1,771,870 | 1,989,782 |
| Goodwill (note 6) | 2,579,381 | 2,579,381 |
| Total Long-Term Assets | <u>22,487,450</u> | <u>24,148,136</u> |
| TOTAL ASSETS | <u>\$ 48,323,225</u> | <u>\$ 52,248,360</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|--|--------------|--------------|
| Accounts payable | \$ 1,178,979 | \$ 2,633,520 |
| Accrued liabilities (note 7) | 1,196,870 | 2,089,391 |
| Current financing lease liability (note 8) | 39,451 | 59,376 |
| Income taxes payable | — | 403,092 |
| Total Current Liabilities | 2,415,300 | 5,185,379 |

LONG-TERM LIABILITIES

| | | |
|--|------------------|------------------|
| Net deferred income tax liability | 522,870 | 439,275 |
| Long-term financing lease liability (note 8) | 12,669 | 52,120 |
| TOTAL LIABILITIES | 2,950,839 | 5,676,774 |

STOCKHOLDERS' EQUITY (note 9)

| | | |
|--|----------------------|----------------------|
| Preferred stock: \$0.001 par value, 10,000,000 shares authorized: no shares issued or outstanding | — | — |
| Common stock: \$0.001 par value, 100,000,000 shares authorized: 51,384,961 issued and 47,972,583 outstanding at December 31, 2020, and 50,824,355 issued and 47,411,977 outstanding at December 31, 2019 | 51,385 | 50,824 |
| Treasury stock, at cost | (5,353,019) | (5,353,019) |
| Additional paid-in capital | 30,293,472 | 29,584,172 |
| Accumulated other comprehensive loss | (2,148,924) | (2,415,460) |
| Retained earnings | 22,529,472 | 24,705,069 |
| TOTAL STOCKHOLDERS' EQUITY | 45,372,386 | 46,571,586 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 48,323,225 | \$ 52,248,360 |

These financial statements should be read in conjunction with the Form 10-K and accompanying footnotes.

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Comprehensive Income

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 |
|---------------------------|---|---|
| REVENUES (note 11) | | |
| Sales of goods, net | \$ 19,395,639 | \$ 36,208,153 |
| Sales of services, net | 2,062,970 | 2,773,160 |
| Total Revenues | 21,458,609 | 38,981,313 |

| | | |
|---|-----------------------|---------------------|
| COST OF SALES | | |
| Cost of goods sold-product | 10,378,367 | 17,587,664 |
| Cost of goods sold-services | 1,554,041 | 1,865,290 |
| Total Cost of Goods Sold | <u>11,932,408</u> | <u>19,452,954</u> |
| GROSS PROFIT | 9,526,201 | 19,528,359 |
| OPERATING EXPENSES | | |
| General and administrative expenses | 10,641,122 | 13,454,195 |
| Research and development | 1,299,103 | 1,933,112 |
| Depreciation and amortization expense | 666,187 | 976,652 |
| Total Operating Expenses | <u>12,606,412</u> | <u>16,363,959</u> |
| INCOME (LOSS) FROM OPERATIONS | (3,080,211) | 3,164,400 |
| OTHER INCOME (EXPENSE) | | |
| Gain on sale of fixed assets | 306,871 | 114,641 |
| Other income (expense) | (67,078) | 5,044 |
| Interest income | 181,254 | 283,476 |
| Total Other Income | <u>421,047</u> | <u>403,161</u> |
| INCOME (LOSS) BEFORE INCOME TAXES | (2,659,164) | 3,567,561 |
| INCOME TAX BENEFIT (EXPENSE) (Note 13) | <u>483,567</u> | <u>(1,546,069)</u> |
| NET INCOME (LOSS) | <u>\$ (2,175,597)</u> | <u>\$ 2,021,492</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) | | |
| Foreign currency translation gain | \$ 240,013 | \$ 335,695 |
| Unrealized gains on investments | 26,523 | 144,528 |
| Total Other Comprehensive Income | <u>266,536</u> | <u>480,223</u> |
| COMPREHENSIVE INCOME (LOSS) | <u>\$ (1,909,061)</u> | <u>\$ 2,501,715</u> |
| BASIC EARNINGS (LOSS) PER SHARE (note 14) | <u>\$ (0.05)</u> | <u>\$ 0.04</u> |
| FULLY DILUTED EARNINGS (LOSS) PER SHARE (note 14) | <u>\$ (0.05)</u> | <u>\$ 0.04</u> |
| BASIC WEIGHTED AVG NUMBER OF SHARES OUTSTANDING | <u>47,778,063</u> | <u>47,490,937</u> |
| FULLY DILUTED WEIGHTED AVG NUMBER OF SHARES OUTSTANDING | 47,778,063 | 48,133,749 |

These financial statements should be read in conjunction with the Form 10-K and accompanying footnotes.

PROFIRE ENERGY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

| | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Net income (loss) | \$ (2,175,597) | \$ 2,021,492 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 1,176,707 | 1,467,007 |
| Gain on sale of fixed assets | (306,871) | (114,641) |
| Bad debt expense | 184,293 | 315,256 |
| Stock awards issued for services | 443,127 | 390,826 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 2,268,435 | 1,965,207 |
| Income taxes receivable/payable | (404,345) | (665,649) |
| Inventories | 1,216,200 | 1,630,632 |
| Prepaid expenses and other current assets | 157,053 | (1,184,385) |
| Deferred tax asset/liability | 83,595 | 524,367 |
| Accounts payable and accrued liabilities | (2,378,197) | 1,363,090 |
| Net Cash Provided by Operating Activities | <u>264,400</u> | <u>7,713,202</u> |
| INVESTING ACTIVITIES | | |
| Proceeds from sale of fixed assets | 514,448 | 116,785 |
| Sale of investments | 2,799,547 | 1,494,568 |
| Purchase of fixed assets | (1,547,331) | (4,664,619) |
| Payments for acquisitions, net of cash acquired | — | (4,384,175) |
| Net Cash Provided by (Used in) Investing Activities | <u>1,766,664</u> | <u>(7,437,441)</u> |
| FINANCING ACTIVITIES | | |
| Value of equity awards surrendered by employees for tax liability | (154,659) | (242,497) |
| Cash received in exercise of stock options | 2,020 | 9,356 |
| Purchase of treasury stock | — | (2,743,534) |
| Principal paid towards lease liability | (57,796) | (73,628) |
| Net Cash Used in Financing Activities | <u>(210,435)</u> | <u>(3,050,303)</u> |
| Effect of exchange rate changes on cash | <u>(31,173)</u> | <u>31,466</u> |
| NET INCREASE (DECREASE) IN CASH | 1,789,456 | (2,743,076) |

| | | |
|-----------------------------|-----------------------------|-----------------------------|
| CASH AT BEGINNING OF PERIOD | 7,358,856 | 10,101,932 |
| | <u> </u> | <u> </u> |
| CASH AT END OF PERIOD | \$ 9,148,312 | \$ 7,358,856 |
| | <u> </u> | <u> </u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

CASH PAID FOR:

| | | |
|--------------|------------|--------------|
| Interest | \$ 6,090 | \$ 6,497 |
| Income taxes | \$ 402,510 | \$ 1,793,281 |

NON-CASH FINANCING AND INVESTING ACTIVITIES:

| | | |
|--|------------|--------------|
| Common stock issued in settlement of accrued bonuses | \$ 419,373 | \$ 379,861 |
| Issuance of common stock - Midflow acquisition | \$ — | \$ 1,020,000 |

These financial statements should be read in conjunction with the Form 10-K and accompanying footnotes.



Source: Profire Energy, Inc.