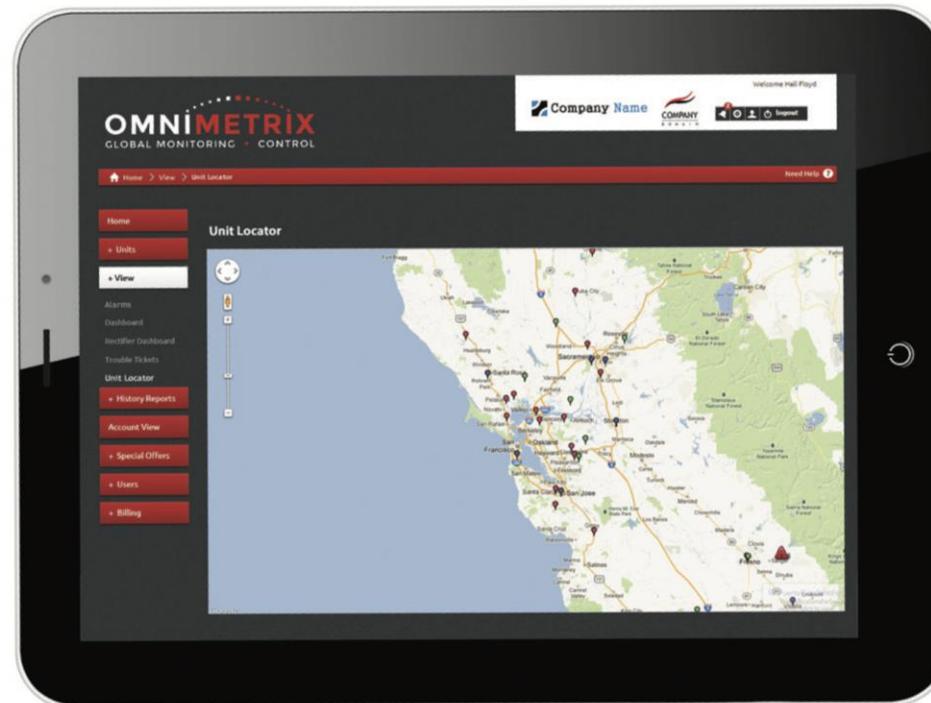


## Acorn Energy, Inc. - OTCQB: ACFN

**High Margin, Recurring Revenue + Growth in IIoT & Remote Monitoring  
& Control of Generators, Pipelines, Compressors & Other Key Assets**



**August 2019**

**[www.acornenergy.com](http://www.acornenergy.com)**



# Safe Harbor Statement

This presentation includes forward-looking statements, which are subject to risks and uncertainties. There is no assurance that the Company will be successful in growing its businesses; in reaching profitability; growing through acquisition; or in maximizing the value of OmniMetrix or any other of its assets. The Company has a history of operating losses and there is no assurance that it can attain and maintain profitability. This presentation includes projections regarding expected performance by OmniMetrix and the Company generally which are based on management's good faith estimates as to future performance and should not be taken as a guarantee of such performance. A complete discussion of the risks and uncertainties which may affect Acorn Energy and the businesses of its OmniMetrix subsidiary is included in "Item 1A. Risk Factors" in the Company's most recent Annual Report on Form 10-K as filed by the Company with the Securities and Exchange Commission.

## Non-GAAP Financial Measures

This presentation includes both GAAP and Non-GAAP financial and performance measures. The Company uses Cash Sales (or Cash Basis Sales) as a measure of current sales activity; it is calculated by adding the net increase in deferred revenue to the GAAP Revenues. The Company uses Net Cash as a measure of liquidity; it is calculated by subtracting Debt which is currently reflected in the GAAP measure Short-term credit, Due to DSIT and Due to Acorn directors from cash and cash equivalents. The Company uses Enterprise Value as a measure of the value of the Company's business; it is calculated as the total market capitalization of the Company (common stock trading price multiplied by the shares outstanding less Net Cash). The Company uses EBITDA as a measure of performance; it is calculated as Net Loss plus Interest, Taxes, Depreciation and Amortization.

The non-GAAP financial measure used herein should be evaluated in conjunction with, and are not a substitute for, the GAAP financial information included in the financial statements filed by the Company with the Securities and Exchange Commission.



# Focus on IIoT Growth Post Turnaround

- Acorn is Focused on Industrial Internet of Things (IIoT) Remote Monitoring & Control via its subsidiary:



- OmniMetrix combines high-margin, recurring monitoring service revenue with monitoring hardware sales
- Focus on standby generators, air compressors and gas pipelines
- Differentiated technology/service supports ~20% organic growth
- Acorn currently owns 99% of OmniMetrix



# At a Glance

## OTCQB

Recent Price

52-Week Range

Market Cap

Enterprise Value (**EV**)

Cash & Equivalents \*

Cash-basis Sales 2018/2019E \*\*

**EV / 2019E Cash Basis Sales**

Shares Outstanding

Insider Ownership

## ACFN

\$0.28

\$0.15 - \$0.45

~\$11M

~**\$9M**

\$1.9M

~\$5.6M / **\$6.5M**

**1.4x**

39.6M

27%

\* On August 9<sup>th</sup>, cash was \$1.9M giving effect to the repurchase of 19% of OmniMetrix on July 1, 2019.

\*\* Cash-basis sales equals revenue plus the change in deferred revenue. 2019E is based on an expected 15-20% growth range.

## Wireless, real-time remote monitoring and control of industrial equipment



### Pipeline Corrosion Protection



#### Rectifier & Test Station Monitors

- \* Monitoring extends pipeline lifetime
- \* Instant alarm notification via email or text messaging
- \* Eliminates manual data collection
- \* Leverages cellular/satellite coverage

### Standby Generator & Compressor Monitoring



#### OmniView

- \* Eliminates manual inspection
- \* Prevents fail to start events
- \* Check generator status from any place at any time
- \* Secure, Web-based management

# Remote Monitoring Value-Add

- Cheaper, more effective than labor-intensive physical monitoring
- Improves maintenance results and reduces downtime
- Generator Monitoring Prevents 95% of “fail to start” events
  - ✓ **Battery - Voltage - Fuel - Coolant - Oil**

## Pipeline Illustration



## 25 Fortune 500 companies across:

- oil & gas, utility, grocery, retail,
- aerospace & defense,
- industrial, healthcare,
- insurance, automotive,
- telecommunications, financial institutions,
- hospitality, chemicals

Comerica



## Other Clients:

- 100+ banks
- Transportation
- Real estate
- Federal, state, local government - US & Canada
  - Military
  - 20+ police departments
  - 15+ fire departments



FEMA

## *Management targets ~20% organic cash sales growth*

- **Clear ROI from lower costs and improved asset monitoring & control**
- **Growing awareness of IoT benefits/investments**
- **Regulatory compliance and reporting:**
  - US EPA, Air Quality Management Districts, National Fire Protection Assoc. & Calif. EPA Air Resources Board
  - Reporting: Maintenance, Location, Fuel Status & Usage & Emissions
- **Delayed infrastructure investments increase monitoring need**
  - Approx. 2.5m miles of U.S. pipeline; ~50% is over 50 years old
  - Small % of these assets are being remotely monitored
- **Expanding customer base**
- **Product, technology & service enhancements**
- **Pursuing growth in new market segments (e.g. air compressors)**



California Environmental Protection Agency  
**Air Resources Board**

## Next-Generation Hero 2™ Solution Introduced late 2018

- Remote monitor for gas pipeline rectifiers
- Enhanced, lower cost design with smaller footprint
- Added features & data collection
- Provides significantly higher gross margin
- Contributed to total hardware gross margins improving to 39% in 1H'19 from 35% in 1H'18



## Next-Generation TrueGuard 2™ Solution Introduced late 2017

- Residential monitoring hardware for backup generators
- Enhanced, lower cost design with smaller footprint
- Added features & data collection
- Provides significantly higher gross margin
- Benefit seen in 2018 with hardware gross margins improving to 36% from 27% in 2017



# Competitive Barriers

- **Strong Patent Portfolio:**

- ✓ #8763107: Cross-connected, server-based, IP-connected, point-to-point connectivity
- ✓ **#8078861: Remote processor reprogramming (Critical for Software Updates)**
- ✓ #6747368: Wireless control of power transfer switches for electrical load management
- ✓ #6571093: Methods for providing extended wireless data transport services
- ✓ #8224499: Remote annunciator
- ✓ Pending: Cathodic protection testing apparatus/methods utilizing relay & bypass circuitry.

- **20+ Years of Industry Expertise:**

- ✓ engineering, software development, trade secrets, etc.

- **Next-Generation Solutions:**

- ✓ **Ongoing R&D** to enhance solutions, expand capabilities and target new markets
- ✓ **Fiber Optic Pipeline Monitoring** - Right of first negotiation to serve as exclusive U.S. distributor for fiber optic pipeline monitoring technology. Algorithms convert “listening” into high-value intelligence. Enable “hearing” a leak or third party intervention



# Balance Sheet Summary June 30, 2019

Cash & Equivalents	\$3.2M (1)
Accounts Receivable	\$0.9M
Total Current Assets	\$5.2M
<b>Total Assets</b>	<b>\$6.1M</b>

Total Current Liabilities excluding \$2.7M in current deferred revenue	\$1.4M
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<b>Total Liabilities</b> excluding \$2.7M & \$1.4M in current and non-current Deferred Revenue	<b>\$1.4M (2)</b>
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## Off Balance Sheet:

Federal Net Operating Loss Carryforwards	\$60M+
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(1) As of August 9th, cash was \$1.9M after giving effect to the repurchase of 19% of OmniMetrix that Acorn did not already own as of July 1<sup>st</sup>.

(2) Current and non-current deferred revenue represent hardware sales and monitoring services to be recorded as revenue over the next 36 months and 12 months, respectively. Prior to January 1, 2018, hardware sales were amortized to revenue over a 24-month period.



# Acorn Financial Turnaround

	<b>June 2019</b>	<b>Dec. 2015</b>	<b>Improvement</b>
Long-term Debt	\$ 0.0M	\$4.0M	+\$4.0M
Adj. Cash & Equivalents	\$1.9M	\$0.2M	+\$1.7M
LTM Revenue (OmniMetrix)	\$5.4M	\$3.0M	+\$2.4M (+78%)
LTM EBITDA*	(\$0.8M)	(\$8.6M)	+\$7.8M
LTM Net Loss	(\$0.7M)	(\$10.8M)	+\$10.1M

\* EBITDA = Earnings before interest, taxes depreciation and amortization.



# Securityholder Rights Offering

Completed 6-24-19

- Involved distribution, to Acorn stockholders and holders of certain outstanding warrants, of non-transferable Rights to purchase additional shares of Acorn Common Stock. The Rights Offering was backstopped by an agreement with management and certain board members to acquire unsubscribed shares.
- Each Right entitled securityholders as of the record date, June 3, 2019, to purchase 0.312 shares of Acorn Common Stock at a subscription price of \$0.24 per whole share.
- Together with the Backstop Agreement, the Rights Offering raised gross proceeds of approximately \$2.4 million.
- Acorn used some of proceeds for the planned reacquisition of a 19% minority interest in OmniMetrix (see next slide). Remaining funds will provide additional sales and marketing resources for expansion into additional geographic markets, new product applications, and to support next-generation product development.



# Repurchased 19% of OmniMetrix

As of 7-1-19

- Acorn used rights offering proceeds to reacquire a 19% interest in OMX Holdings, Inc. (“Holdings”), which owns 100% of OmniMetrix, LLC for \$1,273,000, including \$323,000 of accrued dividends.
- The purchase price was based on the original November 2015 investment by a former board member, plus preferred dividends, which were not paid.
- Acorn now owns a 99% interest in OmniMetrix and Walter Czarnecki (CEO of OmniMetrix) owns 1%.

# Leadership



**Jan Loeb – Acorn CEO and Director:** 30+ years experience in investment banking, money management and public company management. He is President and Managing Member of Leap Tide Capital Management since 2007 and was President of Leap Tide's predecessor, AmTrust Capital Management 2005 to 2007. Prior, he was a Portfolio Manager at Chesapeake Partners; Managing Director at Jefferies & Company, and Managing Director and Research Analyst at Wasserstein Perella. Jan is a former Director of Keweenaw Land Association, Ltd., TAT Technologies and American Pacific Corporation.



**Walter Czarnecki – OmniMetrix President & CEO:** 15+ years of operational and commercial leadership experience building high-growth technology platforms across global markets. Sector expertise includes software as a service (SaaS), Internet of Things (IoT), and energy storage. Previously served as Director of Business Development for Ener1, Inc., a maker of lithium-ion energy storage solutions, where he oversaw the scaling of revenue from \$35 mm to \$90 mm. Previously he led the Energy Technology Group for China Renaissance Partners. Walter began his career at Lehman Brothers Investment Banking. He holds a BA from Bucknell University, an MBA in Finance from the Wharton School and was named to 40 Under 40 lists for Wharton in 2015 and the Atlanta Business Chronicle in 2018.



**Tracy Clifford – CFO:** Tracy Clifford was named Chief Financial Officer of Acorn in June 2018. Tracy previously served as CFO, Principal Accounting Officer, Corporate Controller and Secretary for a publicly-traded pharmaceutical company and a publicly-traded REIT from 1999 to 2015. Through her consulting practice launched in June 2015, Tracy served as a contract CFO and/or COO for several clients, participated on advisory boards and worked on numerous engagements. Prior experience included accounting leadership positions at United Healthcare (Atlanta) and the North Broward Hospital District (Fort Lauderdale) and work on the audit team of Deloitte & Touche (Miami).



# Valuation Considerations

*For illustration purposes only; should NOT be relied upon for investment decisions.*

## **OmniMetrix:**

- Cash-basis sales are expected to grow to ~\$6.5m in 2019.
- In 2018, Wesroc, the largest tank monitoring co., was acquired for what we believe to be >4x sales.
- 3 - 4x 2019 cash sales implies an OmniMetrix valuation of \$19.5m to \$26m.
- Acorn owns 99% of OmniMetrix.

**\$19m - \$26m**

## **Proforma Cash:**

- Acorn had cash of \$1.9m as of August, giving effect to the repurchase of 19% of OmniMetrix.

**~ \$2m**

## **NOL:**

- Acorn has over \$60m of tax loss carryforwards which could generate up to \$12.6m in future tax savings at the current Federal rate of 21%. Discounting this by 30% for time value and risk leaves a maximum present value of ~\$9m.

**\$0 - \$9m**

## **Potential Value Range based on these estimates:**

**\$21m - \$37m**

## **Per Share Potential Value Range based on these estimates:**

**\$0.53 - \$0.93**

**Potential value range represents premium of ~ 90% to 233% over Acorn's recent market cap of ~ \$11M (\$0.28 per share)**



# Investment Summary

- **ACFN trades for ~1.4x 2019E Cash Sales vs. IIoT comps of 2.5-4x & higher**
- **Growing, high margin recurring business with large market opportunity**
- **Technology, product & service differentiation**
- **Large customer base including 25 Fortune 500 companies**
- **OmniMetrix reached adjusted EBITDA positive in most recent quarters.**
- **\$1.9M in cash (as of August) provides execution runway**
- **>\$60m NOL could generate up to \$12.6m in future tax savings**
- **Disciplined management with strong track record & 27% ownership;**  
**committed to value creation via growth & M&A**

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# Turnaround Recap

## **New Leadership - CEO Jan Loeb – Appointed Early 2016**

- Addressed urgent balance sheet / cash flow challenges; pursued ACFN turnaround with goal of creating viable operating company with realistic prospects for growth & profitability.

## **Turnaround Initiatives**

- Partnered DSIT sub. w/ major defense co., selling nearly half of stake for gross proceeds of \$4.9M, which provided working capital and repaid debt
- Closed GridSense subsidiary to end cash drain; Liquidated assets for proceeds of \$1M
  - GridSense accounted for over 40% of Acorn's operating losses in 2015 & 2014
- Initiated cost cuts / personnel changes, reducing overhead by \$2.5M per year
- Secured \$1.9M in director loan commitments in 2017 to provide bridge funding
- Sold remaining DSIT stake in Feb. 2018 for gross proceeds of \$5.8M; paid expenses & debt, leaving \$1.8M in cash for operations/growth
  - Acorn to receive \$0.5M if DSIT secures fiber optic pipeline monitoring contract
  - Secured Right of first negotiation to become U.S. distributor of DSIT fiber optic tech

## **Growth & Value Creation Initiatives**

- Now focused on OmniMetrix business with its high margin, recurring revenue model and organic growth potential of ~20% per year on average
  - Implementing continued product design and sales & marketing enhancements
- Pursuing M&A opportunities
- Seeking to leverage ~\$60M in Tax Loss Carryforwards



# Corporate Cost Reductions

**Acorn management reduced overhead expense by \$2.5 million or 70% over two years to \$1.1M in 2017 from \$3.6M in 2015. (1)**

	<b>Annual Savings</b>
Legal & Professional Fees	\$1,260k
Non-cash stock comp	\$560k
Reduced Salaries / Personnel	\$226k
Auditing; Directors; & IR Fees	\$222k
Reduced Travel & Other G&A	\$176k
Office Consolidation	\$74k
<b>Total Overhead Reductions</b>	<b>~\$2,500k</b>

(1) Corporate costs are currently running at about \$1M annualized and are expected to be less than \$1M in 2019, on a normalized basis.