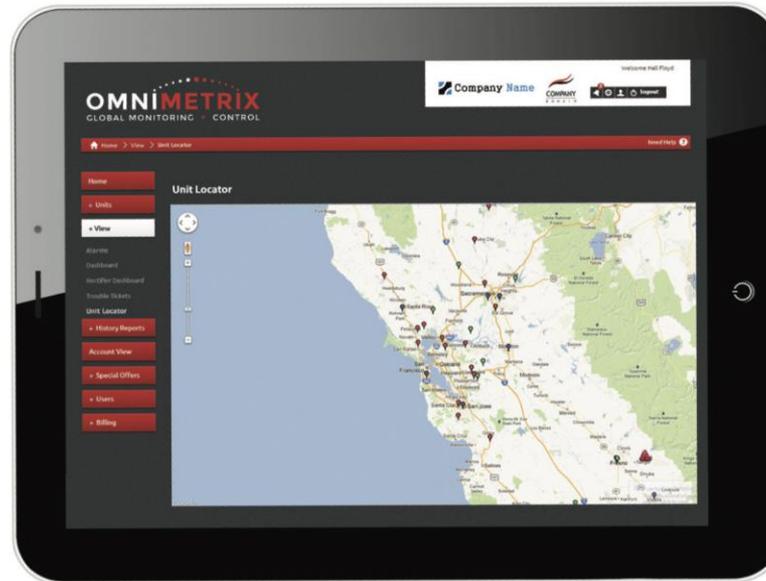


# Acorn Energy, Inc. - OTCQB: ACFN

**Growing, High Margin Recurring Revenue Stream from Remote Monitoring & Control of Standby Generators, Pipelines & Compressors**

**Enabling New Electricity “Demand Response” Networks to Support Peak Grid Power Requirements**



**September 2022**

**[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 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 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.

# Wireless Remote Monitoring & Control (IoT)



- Acorn owns 99% of OmniMetrix which provides remote monitoring & control products & of Internet of Things (IoT) services for standby generators, gas pipelines, air compressors, etc.
- High-margin, recurring monitoring revenue + hardware sales
- Targeting 20% average annual growth in very large markets with limited penetration
- Industry-leading brand and “agnostic” technology delivers substantial value/ROI to customers
- Remote monitoring & control delivers even greater value in inflationary environment as personnel and travel costs rise.
- Enabling ‘Demand Response’ electric Grid Relief via standby generators now represents potential 2X profit driver for new monitoring contracts.

# At a Glance

## OTCQB

Recent Price

52-Week Range

Market Cap

- Cash (6/30/22)

**= Enterprise Value (EV)**

LTM Cash Basis Revenue

**2022E Cash Basis Revenue\***

**EV / 2022E Cash Basis Rev.**

**Industrial IoT M&A Valuations\*\***

Insider Ownership

## ACFN

\$0.48

\$0.26 - \$0.70

\$19.1M

\$1.3M

**\$17.8M**

\$8.0M

**~\$8.6M**

**~2.1x**

**3-5x Sales**

~28.5% of 40M shares

\* 2022 goal represents 13% growth in cash basis revenue, following 27% growth in 2020.

\*\* Industrial IoT M&A transactions (with less annual recurring revenue than ACFN) are around 3-5x sales. Larger public comps (MSA, ST, ALRM, BMI, GNRC, ADT, & LNN) recently had a median EV/LTM revenue multiple of 3.9x.

# Wireless, Real-Time Remote Monitoring and Control of Industrial Equipment

## Standby Generator & Compressor Monitoring



### Commercial/Industrial & Residential Monitors

- \* Replaces manual inspection
- \* Prevents fail to start events
- \* Generator status available anywhere 24/7
- \* Secure, web-based management
- \* Can remotely start generator
- \* Enables Grid Demand Response Capabilities

## Pipeline Cathodic Protection



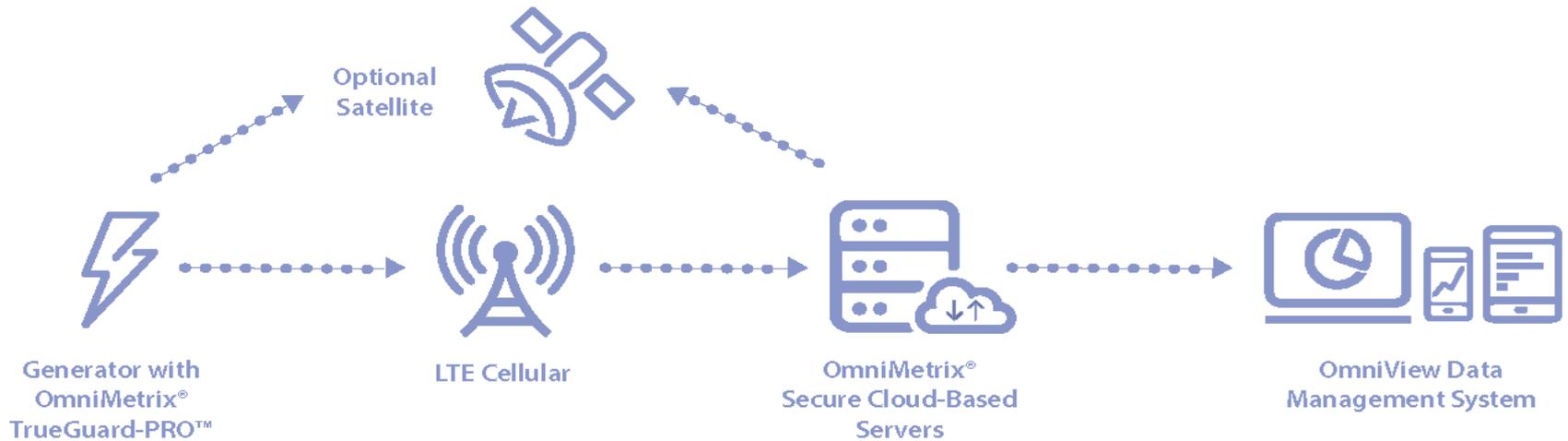
### Rectifier & Test Station Monitors

- \* 24/7 monitoring extends pipeline life
- \* Instant alarm notifications
- \* Eliminates remote manual data collection and inspection
- \* Leverages cellular/satellite coverage

# Remote Monitoring Value-Add

- Improves maintenance results and reduces downtime of critical assets.
- Generator monitoring prevents 95% of “fail to start” events’ by monitoring vitals, such as: **Battery - Voltage - Fuel - Coolant & Oil**
- Less expensive & more effective than the labor & travel of physical monitoring – particularly with remote assets like pipelines.

## Illustration of Generator Monitoring

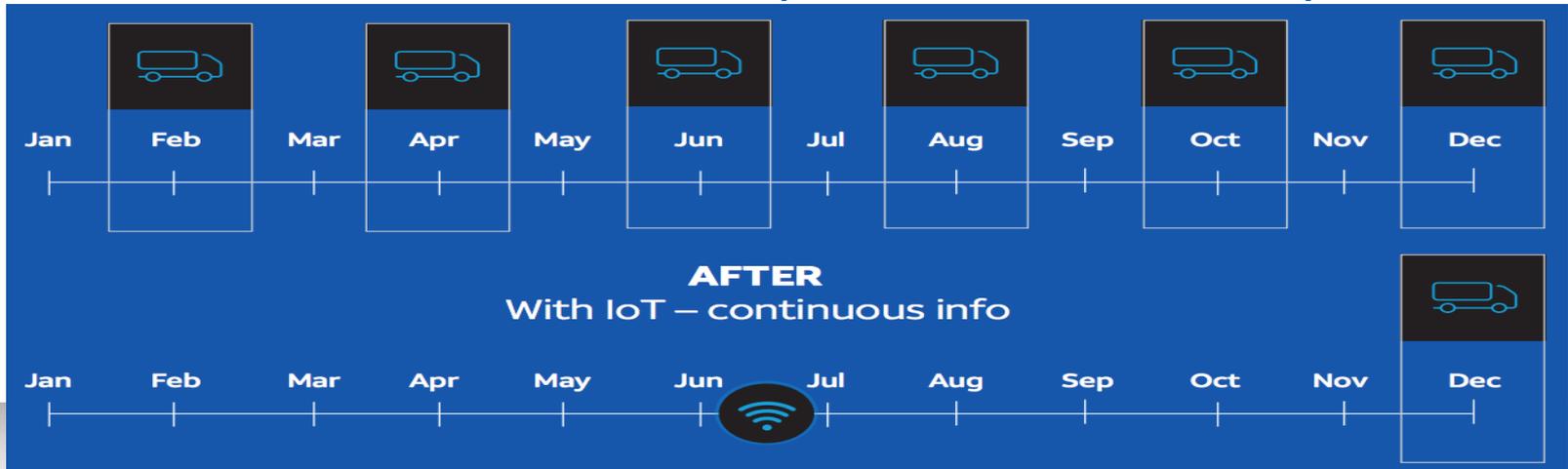


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# Remote Monitoring is Clean & Green

- **Sustainability Impact:** Remote monitoring of industrial assets reduces travel-related costs, time, and emissions.
- Remote monitoring solutions also provide insights to tune operations, drive efficiency and safety.
- E.g. inspectors can travel long distances every 2 months along a pipeline to visually inspect equipment for damage & comply with regulations. With IoT, operators receive continuous information with only one physical inspection per year.
- For stand-by generators, the average "truck roll" inspection costs \$250-\$500 and finds 10% of generators in need of service.

## Before IoT, Crews in Trucks Would Inspect & Gather Info Periodically



# Markets / Customers Served

## 25 Fortune 500 companies across:

- Oil & gas, utility
- Grocery, retail,
- Aerospace & defense,
- Industrial, healthcare,
- Insurance, automotive,
- Telecommunications, financial institutions,
- Hospitality, chemicals

## Other Clients:

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



at&t



FEMA



Piedmont  
Natural Gas

# Growth Drivers

**Management targets 20% average annual organic cash sales growth**

- **Clear ROI from lower costs and improved asset monitoring & control**
- **Growing awareness of IoT benefits/investments amidst rising costs**
  - E.g. with 4.2M generators and 10% in need of service, remote monitoring represents revenue for generator dealers
- **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**
  - E.g. Approx. 2.5M miles of U.S. gas pipeline; >50% over 50 years old;
  - Small % of these assets are remotely monitored
- **Expanding customer & partner base**
- **Product, technology & service enhancements**
- **Electric Grid Demand Response** (aging/inadequate energy grid)
- **Expanding market opportunities** (e.g. monitoring other industrial assets)



California Environmental Protection Agency  
**Air Resources Board**

# Stand-by Generator Market Opportunity

- There's ~4.2M generators in North America (growing by 300k+ per year); <25% of industrial, commercial & residential deployments are monitored.
- Climate change is driving both awareness and need:
  - 70% of power outages are caused by weather events
  - Stronger storms + higher frequency of floods, droughts, wildfires and other severe weather
  - Growth in remote work expands need and urgency for reliable power.
- California Wildfires and energy grid issues are awakening a new market opportunity estimated as much of 50% of total generator replacement market, or \$1B over 10 years \*
- OmniMetrix's agnostic solutions are compatible with all generator brands
  - Dealers often prefer OmniMetrix due to features, quality, service, ease of "one-stop" solution that protects their long-term service relationship.
  - Commercial & industrial businesses appreciate agnostic platform that supports a variety of generator brands



\* Company / Industry Estimates.

# “Demand Response” Opportunity

- Partnership with CPower Energy Management enabling standby generator owners to provide electric grid relief via “**Demand Response**” (DR) programs.
  - CPower manages >6.3 GW of demand response capacity for more than 2,000 customers at 17,000+ sites.
- DR compensates users who agree to reduce their electricity usage “on demand” by automatically switching to their standby generators when the grid is stressed and energy prices peak.
  - Annual payments to generator owners for program participation + variable compensation based on annual energy production.
  - **OmniMetrix could potentially double its profit per customer for each new enrolled DR customer.**
  - OmniMetrix’s wireless remote monitoring & control solutions activate and monitor generator activity in partnership with CPower’s national network of energy provider relationships.
- DR compensation incentivizes deployments of next-generation, energy efficient standby generator equipment required for DR participation.
  - DR revenue streams benefit dealers, customers, energy providers and DR program providers.

# Innovative Products and New Markets

## OmniMetrix Continues to Invest in Product Innovation and New Applications

### Remote AC Mitigation Disconnect (RAD) to Launch Q1'22

- Remotely control & measure health of AC mitigation disconnects on pipeline, incl. SSDs & PCRs, to manage voltage & current, eliminate unneeded field visits.

### Smart Annunciator Product Launched Q4'20

- Annunciator with built-in remote monitoring
- Interactive 5" touch-screen LCD display



Examples of industrial equipment monitored (left) and a smart annunciator (above).

# Competitive Barriers

## Strong Patent Portfolio:

- ✓ **#11101580: Cathodic protection testing apparatus/methods utilizing relay & bypass circuitry (RAD)**
- ✓ #8763107: Cross-connected, server-based, IP-connected, point-to-point connectivity
- ✓ #8224499: Remote annunciator
- ✓ #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

## 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

## Partnerships:

- ✓ CPower Demand Response Programs
- ✓ PowerNow Exclusive on Briggs & Stratton Generator Deployments in Texas

# Summary Financial Results

## GAAP Basis

\* All of Acorn's revenue is derived from its 99%-owned operating subsidiary, OmniMetrix.

(\$ in thousands)	LTM	2021	2020	
Total revenue *	\$ 6,832	\$ 6,776	\$ 5,922	
Gross profit	\$ 4,971	\$ 4,899	\$ 4,131	
Gross margin	72.8%	72.3%	69.8%	

## Reconciliation of GAAP Revenue to Cash-Basis Revenue (Non-GAAP)

(\$ in thousands)	LTM	2021	2020	
Total GAAP revenue	\$6,832	\$6,776	\$5,922	
Less: Amortz. of deferred revenue	(5,947)	(5,886)	(5,475)	
Plus: Sales recorded to deferred revenue	6,863	6,725	5,567	
Other adj. & write-offs	19	(17)	(27)	
Total cash-basis revenue	\$ 7,767	\$ 7,598	\$ 5,987	

# Summary Balance Sheet - June 30th

Cash & Equivalents	\$1.3M
Accounts Receivable	\$0.6M
Total Current Assets	\$3.8M
<b>Total Assets</b>	<b>\$6.0M</b>
Total Current Liabilities	
excluding \$3.6M in current deferred revenue (1)	\$0.7M
<b>Total Liabilities</b> excluding \$3.6M & \$2.0M in current & non-current deferred revenue (1)	<b>\$0.9M</b>
<b>Off Balance Sheet:</b>	
Federal operating loss carryforwards	~\$70M

(1) 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.

# Leadership

## **Jan Loeb – Acorn President and CEO and Director; Acting CEO of OmniMetrix:**

Jan has served as President and CEO of Acorn since Jan. 2016 and was appointed to the Board in August 2015. He was named acting CEO of OmniMetrix in Nov. 2019. Jan has 40+ 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 at Wasserstein Perella. Jan is a former Director of Keweenaw Land Association, Ltd., TAT Technologies and American Pacific Corporation.

## **Tracy Clifford – Acorn CFO and COO of OmniMetrix:**

Tracy Clifford was named Chief Financial Officer of Acorn in June 2018 and was named COO of OmniMetrix in Nov. 2019. 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).

# Investment Summary

- ACFN trades for ~2.1x 2022E Cash Basis Revenue vs. IIoT comps (with lower ARR) of 3-5x
- Growing, high margin recurring revenue business (>50% ARR) with large market opportunity
  - Demand Response should increase new, next-generation generator deployments while potentially doubling OmniMetrix's profit per new generator customer
- Technology, product & service leadership and differentiation
  - Solid track record of product innovation and product launches in new markets
- Large customer base including 25 Fortune 500 companies
- Strong cash position supports growth initiatives
- >\$70m NOL could generate up to \$15m in future tax savings
- Disciplined management (with 28.5% ownership) has strong track record of value creation via growth & M&A

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# APPENDIX

## Financial Improvement Under Current Team

	June 2022	Dec. 2015	Improvement
Cash & Cash Equivalents	\$1.3M	\$0.2M	+\$1.2M
Long-term Debt	\$0.0M	\$4.0M	+\$4.0M
LTM Revenue (OmniMetrix)	\$6.8M	\$3.0M	+\$3.8M
LTM Net Income (Loss)	(\$0.4M)	(\$10.8M)	+\$10.4M

# Recent History

## **New Leadership** - Jan Loeb appointed CEO Early 2016

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

## **Turnaround Initiatives**

- Partnered DSIT sub. w/ major defense co., selling nearly half of stake for \$4.9M, to provide working capital repay debt
- Closed GridSense subsidiary to end cash drain; Liquidated assets for \$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 balance of DSIT Feb. 2018 for \$5.8M; paid expenses/debt; yielded \$1.8M for growth

## **Other Growth & Value Creation Initiatives**

- Focused OmniMetrix on high margin, recurring revenues with 20% organic growth potential
- Implementing continued product design and sales & marketing enhancements
- 2019 Rights Offering to Repurchase 19% of OmniMetrix
- Pursuing M&A opportunities
- Leveraging ~\$70M in Tax Loss Carryforwards

# 2019 Acorn Rights Offering to Fund Repurchase of 19% of OmniMetrix

- Rights Offering gross proceeds of \$2.4M from the sale of 9,975,553 new Acorn shares.
- Rights entitled purchase of 0.312 Acorn shares at \$0.24 per share.
- Proceeds used to reacquire a 19% interest in OMX Holdings, Inc. which owns 100% of OmniMetrix, LLC for \$1,273,000, including \$323,000 of accrued dividends.
- Purchase price based on terms established in 2015 investment by former board member,
- Increased Acorn OmniMetrix ownership to 99%; former OmniMetrix CEO owns 1%.
- Remaining proceeds additional sales and marketing resources for expansion into additional geographic markets, new product applications, and to support next-generation product development.