



Exro Releases Q1 2024 Letter to Shareholders

CALGARY, AB, Jan. 15, 2024 /CNW/ - Exro Technologies Inc. (TSX: EXRO) (OTCQB: EXROF) (the "Company" or "Exro"), a leading clean-technology company that develops new generation power-control electronics that expand the capabilities of electric motors and batteries, is pleased to announce the release of a Q1 2024 letter to shareholders.

Following the Company's operational update in a 2023 year-end note to shareholders on December 20, 2023, this letter revisits Exro's exceptional operational performance in 2023 and details key focus areas and milestones for the upcoming year.

Dear Exro Shareholders,

Last year's shareholder annual letter ([LINK](#)) emphasized 2023 as our launch year, marked by the successful start of production from our world-class manufacturing facility – a milestone we proudly achieved. Building on last year's momentum, our focus for 2024 evolves into an even more ambitious theme: transformative collaborations. This year's success will be underlined by noteworthy commercial partnerships – advancing those already public and bringing new partnerships into our ecosystem. These impactful relationships stand as third-party endorsements to our innovations and precisely embody our vision for the diverse applications of our technology, showcasing the potential of our Coil Driver™ and Cell Driver™ in real-world scenarios.

Indicated in our December shareholder letter and as tradition holds, this Q1 2024 shareholder letter outlines our strategic focus areas for 2024 and references notable strides completed over the past twelve months. The support from Exro shareholders like yourself has been instrumental, and we look forward to the exciting year ahead together as we continue to expand the boundaries of control in e-mobility and energy storage.

Last year was a strong chapter for Exro. At the start of the year, we detailed key focus areas, with a keen eye on working full speed towards the start of series production and first deliveries for its products. Achieving these milestones hinged on sample deliveries, customer validations, and commercial agreement traction with existing and new partners. We are proud to have accomplished almost all of what we set out to achieve, in addition to accomplishments not on our roadmap at the beginning of the year. The dedication and hard work of our team, coupled with strategic planning, allowed us to recognize significant milestones, shaping another remarkable year for Exro to build off.

Despite these many accomplishments, the market backdrop for electric vehicle related companies witnessed considerable pressure last year, particularly in the second half of 2023. This backdrop resulted in a slower than expected transition of the industry as access to capital for most companies became limited, and consumers grappled with high interest rates, inflation, and uncertainty, lending to a lower outlook for electric vehicle sales. We share your frustrations with how this macro environment has contributed to the performance of Exro's shares. As a management team, it is our belief that the embedded value of our accomplishments and technology potential is not reflected at current share price levels. Our primary motivation is to create long term shareholder value through our technology partnerships and accretive business decisions.

Our foundation is strong, we have proven resiliency in turbulence and have invested in the processes in our organization that will allow us to have a rewarding 2024. With that, we are pleased to update shareholders on the key areas that we will bring focus to this year:

1. **Leading Global Automotive OEM Passenger Vehicle Innovation Project**

After months of dedicated efforts and design with our leading global automotive OEM partner through 2023, we progressed to the first passenger vehicle prototype which will be developed in 2024.

Through phase one of the project, the optimized Coil Driver™ -Heavy Rare Earth/Rare Earth (HRE/RE) free motor design demonstrated the ability to meet the stringent performance and efficiency targets passenger vehicles with this type of machine while meeting challenging mechanical and system criteria. Reduction of rare earth materials in electric vehicle motors is quickly emerging as a significant priority challenge for industry to overcome. In essence, Exro has moved from design to prototype development build of the Coil Driver™ in one of the world's largest automotive companies' passenger vehicles – marking a significant milestone in our collaboration. This project is a culmination of everything we have been working towards as a company. Its significance cannot be overstated and serves as the "holy grail" potential with the ultimate desired objective of having Coil Drivers in millions of passenger vehicles. As we move into 2024, this project will be a focus area for Exro as its success will showcase the depth of Coil Driver™ capabilities and set the tone for the ambitious goals we aim to recognize this year.

2. **Real-world validation with technology partner SEA Electric**

With regards to our partnership with SEA Electric, Exro shared last month that it had successfully progressed its rigorous track testing and on-road validation requirements for its Coil Driver™ system in a UPS style F59 delivery van equipped with SEA's patented SEA-Drive power system. The key takeaway for shareholders is that track testing performance was in complete alignment with simulations and dyno testing data, validating Exro's technology in meeting real-world requirements on the road. Notably, we validated gains in efficiency and improved gradeability, with a 20% grade climbed 33% more quickly. This year, we will continue working with Sea to market our combined technology platform to OEM customers.

3. **Linamar E-Beam Axle Program**

Exro's relationship with key partner Linamar has consistently progressed since inception. This natural evolution aligns seamlessly with our expectations, and the steady development speaks to the resilience of our partnership. Exro recently held in-person management work outs to chart out the strategic plans for the 2024 launch and marketing of the E-Beam Axle program. We are on track to complete our class 5/6 commercial vehicle demonstration vehicle for the Advanced Clean Transportation (ACT) Expo in May and in position to secure orders for later in 2024.

4. **NDA Partners in 2024**

Our projects with large multinational companies under NDAs are progressing as planned as we move into commercial negotiations. With the maturity of our technology, in the last three months we have opened discussions with several other major global OEMs and motor companies. We continue to work towards lifting NDAs and are confident that the eventual unveiling of these partnerships at various points throughout 2024 will underscore their significance.

5. **Cell Driver™ Energy Storage and UL Certification**

Certification is more complex when the technology is complex and new. With most of our scheduled testing recently completed, the strength of our innovative cell level control technology pushed the definitions within the existing standards. As a result, adjustments on test procedures were needed to accurately evaluate the unique nature of our technology, requiring additional time in Q1. We would like to emphasize that UL certification, while important, is not the limiting factor in the commercialization of our technology. This adjustment does not alter our prospective orders, our revenue potential this year, or pilot programs with customers. Exro's in-house Cell Driver™ pilot program, installed on the company's Calgary manufacturing centre has been operational for more than two months collecting valuable data and operational run-time. The system continued to operate flawlessly during Calgary's recent -40C cold snap, demonstrating performance in the extreme winter conditions. As the market for energy storage solutions continues to evolve at a rapid pace, our order pipeline continues to grow and develop. We look forward to providing additional information on orders in the near term.

6. **Outlook for Coil Driver™ deployments in 2024**

With the start of production from our manufacturing centre in September of last year, our stated intention for the initial quarters post has been on focused execution to our top 10 customers. We wanted to ensure successful early deliveries, vehicle integrations, and first on-road miles in an effort to "thrill the customer" with our innovative industry disruptive technology. Following on-road validations with these customers, which includes performance and durability testing, we anticipate purchase orders against master sales agreements already in place. Feedback from the early adopters of our technology has been overwhelmingly positive with initial purchase orders received (and deliveries begun) with several customers, including Vicinity Motor Corp., HB4, Giaffone, MegaFlux/Potencia, and others. Following years of research and development, this is a proud and defining period at Exro with Coil Drivers™ on-road in vehicle applications across North America, Europe, and South America providing customers with performance and cost improvements not possible with incumbent technology. Backed by industry regulations in many jurisdictions that are incentivizing the switch to electric in 2024, particularly in the commercial vehicle segment, as we build on-road miles the demand for our technology continues to grow. With this, the value proposition offered by Exro Technology is becoming evident to new and existing customers, setting us up for a strong year in 2024.

7. Financials

As we enter 2024 Exro continues to execute its capital markets strategy to ensure we are adequately funded to deliver to customers and shareholders. The majority of our capital expenditures have already been invested to complete our Calgary manufacturing facility in 2023, and with moving Coil Driver and Cell Driver technologies from R&D through to production, Exro will look to lean out costs as we enter a new phase of commercial in 2024.

8. Shareholder livestream

It's been a busy start to the year with engagement in customer deliveries, vehicle integrations, key project advancements, and near energy storage certification testing completion. To share updates, we endeavor to host our first shareholder livestream of 2024 near the end of this month. Stay tuned to our social media channels for additional details.

We remain deeply appreciative of our shareholders' support and the confidence put into our vision. Progress is not a goal, but a consistent companion for Exro. Each year, we make remarkable strides towards ambitious objectives, and 2024 will be no exception. We look forward to achieving new milestones together.

Sincerely,
Sue Ozdemir
Chief Executive Officer

ABOUT EXRO TECHNOLOGIES INC.

Exro Technologies Inc. is a leading clean technology company that has developed new generation power control electronics that change how the world optimizes energy by expanding the capabilities of electric motors and batteries. The company's innovative technologies serve to bridge the performance-cost gap in e-mobility (Coil Driver™) and stationary energy storage (Cell Driver™), and act to accelerate adoption towards a circular electrified economy by delivering more with less – minimum energy for maximum results.

For more information visit our website at www.exro.com.

To view our Corporate Presentation visit us at www.exro.com/investors

Visit us on social media @exrotech.

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