



WaveDancer Releases First Quarter 2022 Results

Investments In Transformation Continue-Expected to Begin Driving Revenue Growth in 2Q 2022

FAIRFAX, VA, May 16, 2022 – WaveDancer (NASDAQ: WAVD), today reported its results for the first quarter ended March 31, 2022, which was characterized by continued investment in the WaveDancer’s software development and sales team. This included new hires, board appointments, partnerships, and a definitive acquisition agreement as WaveDancer strives to become a leader in the zero trust, blockchain, and secure supply chain market.

WaveDancer CEO Jamie Benoit commented, “Our first quarter 2022 saw the company continue to prioritize investments in key operational areas. In addition to the recent additions, we have made at the board and senior leadership levels, we have also added three new blockchain sales professionals as well as six engineers and developers.”

Mr. Benoit continued, “Our lower revenue over first quarter 2021 is a result of our continued effort in the Tellenger business to move away from low margin distribution and reselling and towards higher margin professional services opportunities.”

First Quarter 2022 Financial Highlights (all comparisons to prior year period unless otherwise noted)

- Total revenues decreased 12.4% to \$3.0 million, compared with \$3.4 million.
- Professional fees decreased 15.3% to \$2.1 million down from \$2.4 million.
- Gross profit decreased to \$0.4 million, compared with \$1.0 million.
- Gross margin expanded to 12.6%; higher-margin professional fees accounted for 69.0% of revenues.
- Net loss of \$(2.1) million, compared with net income of \$0.3 million.
- Adjusted EBITDA¹ of (\$1.7) million, compared with \$0.4 million.

About WaveDancer

WaveDancer (www.wavedancer.com), headquartered in Fairfax, Virginia, is a provider of zero trust software solutions, specializing in secure blockchain supply chain management (SCM), asset tracking and security. Our technologies are deployed and being used to help organizations manage very complex supply chain challenges. Initially developed to secure a complex international supply chain for a global U.S. Government (USG) national security organization, the technology has matured to address multiple operational capabilities. Customers are using the WaveDancer platform to gain unprecedented levels of accountability, auditability, and predictability from their data, while giving insights to their partners and suppliers through a

¹ Please see non-GAAP reconciliation on page 6

controlled, distributed ledger that is immutable and can be trusted by all parties. The sophisticated blockchain technology is now available to the entirety of the USG through GovCloud.

Additional information for investors

This release may contain forward-looking statements regarding the Company's business, customer prospects, or other factors that may affect future earnings or financial results. Such statements involve risks and uncertainties which could cause actual results to vary materially from those expressed in the forward-looking statements. Investors should read and understand the risk factors detailed in the Company's 10-K for the fiscal year ended December 31, 2021 and in other filings with the Securities and Exchange Commission.

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WAVEDANCER, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

| | Three Months Ended March 31, | |
|-------------------------------------------------|------------------------------|--------------|
| | 2022 | 2021 |
| Revenues | | |
| Professional fees | \$ 2,066,690 | \$ 2,439,259 |
| Software sales | 928,822 | 980,321 |
| Total revenues | 2,995,512 | 3,419,580 |
| Cost of revenues | | |
| Cost of professional fees | 1,712,015 | 1,467,699 |
| Cost of software sales | 907,432 | 932,231 |
| Total cost of revenues | 2,619,447 | 2,399,930 |
| Gross profit | 376,065 | 1,019,650 |
| Selling, general and administrative expenses | 2,714,342 | 680,250 |
| Acquisition costs | 434,702 | 70,530 |
| (Loss) income from operations | (2,772,979) | 268,870 |
| Other income (expense): | | |
| Interest expense | (19,319) | (1,459) |
| Other income (expense), net | (12,015) | 3,404 |
| (Loss) income before provision for income taxes | (2,804,313) | 270,815 |
| Income tax benefit | (726,006) | - |
| Net (loss) income | \$ (2,078,307) | \$ 270,815 |
| Comprehensive (loss) income | \$ (2,078,307) | \$ 270,815 |
| Basic (loss)/earnings per share | \$ (0.12) | \$ 0.02 |
| Diluted (loss)/earnings per share | \$ (0.12) | \$ 0.02 |
| Weighted average common shares outstanding | | |
| Basic | 17,294,808 | 11,282,671 |
| Diluted | 17,294,808 | 12,286,216 |

WAVEDANCER, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | March 31, 2022 | December 31, 2021 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 2,999,201 | \$ 4,931,302 |
| Accounts receivable | 1,672,072 | 1,664,862 |
| Prepaid expenses and other current assets | 458,719 | 276,990 |
| Total current assets | 5,129,992 | 6,873,154 |
| Intangible assets, net of accumulated amortization of \$201,032 and \$0 | 7,699,075 | 8,048,968 |
| Goodwill | 7,585,269 | 7,585,269 |
| Right-of-use operating lease asset | 627,977 | 672,896 |
| Property and equipment, net of accumulated depreciation and amortization of \$347,886 and \$312,320 | 103,577 | 105,256 |
| Other assets | 77,100 | 77,100 |
| Total assets | \$ 21,222,990 | \$ 23,362,643 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 302,323 | \$ 650,499 |
| Accrued payroll and related liabilities | 611,497 | 524,055 |
| Commissions payable | 250,043 | 224,250 |
| Other accrued liabilities | 816,536 | 204,080 |
| Contract liabilities | 149,692 | 186,835 |
| Operating lease liability- current | 192,128 | 192,128 |
| Total current liabilities | 2,322,219 | 1,981,847 |
| Operating lease liability - non-current | 460,505 | 507,120 |
| Deferred income taxes | 441,498 | 1,167,504 |
| Other liabilities | 2,296,928 | 2,265,000 |
| Total liabilities | 5,521,150 | 5,921,471 |
| Stockholders' equity | | |
| Common stock at \$0.001 and \$0.01 par value; 100,000,000 and 30,000,000 shares authorized, 18,882,313 and 12,904,376 shares issued, 17,239,697 and 11,261,760 shares outstanding, as of December 31, 2021 and 2020, respectively | 18,987 | 18,882 |
| Additional paid-in capital | 32,128,334 | 31,789,464 |
| Accumulated deficit | (15,515,270) | (13,436,963) |
| Treasury stock, 1,642,616 shares at cost | (930,211) | (930,211) |
| Total stockholders' equity | 15,701,840 | 17,441,172 |
| Total liabilities and stockholders' equity | \$ 21,222,990 | \$ 23,362,643 |

Non-GAAP Financial Measures

In assessing the performance of our business, management utilizes a variety of financial and performance measures. The key measure is Adjusted EBITDA, a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss) plus depreciation and amortization expense, net interest expense (income), and taxes, as further adjusted to eliminate the impact of, when applicable, expenses that are unusual or non-recurring that we believe do not reflect our core operating results. and non-cash stock-based compensation. We believe that Adjusted EBITDA is meaningful to our investors to enhance their understanding of our financial performance for the current period and our ability to generate cash flows from operations that are available for taxes, capital expenditures and debt service. We understand that Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties as a measure of financial performance and to compare our performance with the performance of other companies that report Adjusted EBITDA. Our calculation of Adjusted EBITDA, however, may not be comparable to similarly titled measures reported by other companies. When assessing our operating performance, investors and others should not consider this data in isolation or as a substitute for net income (loss) calculated in accordance with GAAP. Further, the results presented by Adjusted EBITDA cannot be achieved without incurring the costs that the measure excludes. A reconciliation of net income (loss) to Adjusted EBITDA, the most comparable GAAP measure, is provided below.

Reconciliation of Net (loss) income to Adjusted EBITDA

| <i>(in thousands)</i> | <u>Three Months Ended</u> | |
|-----------------------------------|----------------------------------|--------------------|
| | <u>March 31,</u> | |
| | <u>2022</u> | <u>2021</u> |
| Net (loss) income | \$ (2,078) | \$ 271 |
| Adjustments: | | |
| Interest expense (income), net | 19 | (2) |
| Tax (benefit) expense | (726) | - |
| Depreciation | 13 | 5 |
| Amortization | 350 | - |
| EBITDA | (2,422) | 274 |
| Non-cash stock-based compensation | 312 | 28 |
| Acquisition Costs | 435 | 71 |
| Post-employment agreement | - | 36 |
| Adjusted EBITDA | \$ (1,675) | \$ 408 |