



Tantalus Systems Holding Inc. (TSXV: GRID)

Reports Strong Fourth Quarter & 2020 Year-End Results

Stimulus funding and industry tailwinds serve as a catalyst for growth

Company receives Conditional Approval to graduate to the TSX

Burnaby, BC – April 21, 2021 — Smart grid technology leader Tantalus Systems Holding Inc. (TSXV: GRID) (“Tantalus”, “TSHI” or the “Company”) today announced the financial results for its wholly-owned subsidiary, TSH Canada Inc. (formerly known as Tantalus Systems Holding Inc.), for the fourth quarter and fiscal year ended December 31, 2020. The Company also announced that the Toronto Stock Exchange (“TSX”) has conditionally approved the listing of the Company’s shares. Listing is subject to the Company fulfilling all requirements of the TSX. The Company expects to satisfy the TSX’s requirements in the coming weeks.

“Considering the challenges witnessed throughout the course of 2020 due to the impact of the COVID-19 pandemic across our utility customers and their communities, our business partners, and our employees, Tantalus finished the year with strong revenues during the second half of 2020, higher gross profits year-over-year and delivered a fourth consecutive year of positive adjusted EBITDA. The financial results delivered during the latter portion of 2020 bode well for our company and demonstrate management’s ability to navigate through unforeseen challenges at a macro-level,” said Peter Londa, President & CEO of Tantalus. “While Tantalus continues to witness disruptions to the utility sector on a regional basis across Canada, the United States and the Caribbean Basin arising from the COVID-19 pandemic and is subject to the supply chain constraints for microprocessors being witnessed globally in 2021, our business conditions are improving with increasing tailwinds to support the Company’s long-term growth.”

As an example of the tailwinds that are anticipated to support long-term growth, the Biden Administration’s shift in environmental policy, highlighted by a goal of decarbonizing the power industry in the United States by 2050, will lead to a massive investment in both renewable sources of generation and necessary upgrades to the distribution grid to provide utilities with the ability to command and control assets from the substation to the meter and into buildings and residences. In support of the administration’s environmental policy, the recent announcement of a \$2 trillion stimulus package includes funding for utilities to upgrade infrastructure in conjunction with the deployment and adoption of renewable energy (such as wind and large solar installations) and distributed energy resources (known as “DERs”, such as electric vehicles, roof-top solar panels and battery storage). As these new renewable sources of power are deployed, utilities will need to make upgrades to their distribution grids to plan for the variability of renewable energy, as witnessed in Texas during the winter storm earlier this year, and to fully integrate DERs into their grid.

Additionally, the stimulus package includes significant funding for investments to deliver broadband services into rural and economically-constrained communities. Similar to building the grid infrastructure to deliver ubiquitous access to electricity across the United States commencing in the 1930’s, the electric cooperative and public power utility segment will be called upon to upgrade infrastructure in order to

provide advanced services, including broadband access, to their members and customers to address the digital divide.

“Our solutions are purpose-built and well-positioned to deliver the necessary tools and services to our customers in order to help them build the sustainable utility of the future and we believe the recent stimulus bill and the adoption of renewable energy and DERs will accelerate the transformation and modernization of the distribution grid,” said Londa.

“In addition to delivering our Q4 and full-year 2020 financial year results, we are also extremely excited to announce that Tantalus received conditional approval from the TSX to graduate to the big board in Toronto. We are working with our legal counsel and advisors to complete the up-listing in the coming weeks,” said Londa.

Financial Summary and Operating Highlights

(Financial information is reported in United States dollars (“US\$”) and in accordance with International Financial Reporting Standards (“IFRS”).)

Q4 Financial Summary

- The Company reported revenue of \$9.3 million for Q4, 2020 compared to \$10.1 million for the same period in 2019. The decline of approximately 8% was due to the impact of the COVID-19 pandemic throughout the quarter which led to delays in deployments, supply chain constraints and extended decision-making by utilities.
- Gross profit for Q4 increased to \$4.8 million versus \$4.6 million in Q4 of 2019. Gross profit margin increased to 52% from 46% in 2019 due to increased revenue contributions from utility software applications and services and the product mix of connected devices sold during the quarter.
- Adjusted EBITDA in Q4 increased to \$817,363 versus \$776,500 of Adjusted EBITDA in Q4 of 2019.

2020 Year-End Financial Summary

- The Company reported revenue of \$33.0 million in 2020 versus \$41.6 million for 2019. The decline of approximately 21% was due to the impact of the COVID-19 pandemic throughout the year which led to delays in deployments, supply chain constraints and extended decision-making by utilities. While revenue was down year-over-year, the Company generated \$18.0 million of revenue during the second half of 2020 as compared to \$15.0 million during the first six months of the year. The increase in revenue during the second half was attributable to utilities picking up momentum on deployments and decision-making through the latter portion of Q3 and throughout Q4 of 2020.
- Annual revenue contributions from the Utility Software Applications & Services segment represented approximately 31% of revenue for the full year during 2020. The Company continues to prioritize the development and delivery of software and services as additional connected devices are installed in the field, as demonstrated by the recent press release announcement regarding the introduction of Tantalus’ first data analytics solution with artificial intelligence (AI) capabilities focused on grid resiliency. The compounded annual growth rates (CAGR) from 2013 through 2020 for the Company’s Utility Software Applications & Services segment revenue are as follows:
 - 31% CAGR of utility software licenses;
 - 24% CAGR of utility software maintenance and technical support; and,
 - 22% CAGR of customer operations and services.

- Gross Profit declined to \$16.1 million versus \$18.4 million in 2019. Despite the decline in the aggregate number, Gross Profit margin increased to 49% versus 44% in 2019 due to increased revenue contributions from utility software applications and services and the product mix of connected devices sold during the year.
- The Company generated Adjusted EBITDA of \$2.6 million (excluding \$2.0 million in contributions from government stimulus funding and wage subsidy programs received in 2020) versus \$3.2 million in 2019.
- The Company had total assets of US\$23.5 million as at December 31, 2020 compared to US\$20.1 million as at December 31, 2019, with Adjusted Working Capital as at December 31, 2020 of US\$3.5 million inclusive of cash of US\$4.6 million. This figure is compared to Adjusted Working Capital of US\$2.8 million as at December 31, 2019 inclusive of cash of US\$5.4 million.

Operating Highlights in 2020

- *Growth of Tantalus' User Community:* Tantalus added 20 new utilities during the year ended December 31, 2020, expanding the number of utilities leveraging Tantalus' solutions. The company entered into a preferred smart grid agreement with Indiana Municipal Power Authority (IMPA), a Joint Action Agency supporting member utilities across the state of Indiana and neighboring states. Over the past eight years, Tantalus' user community of utilities has grown by a compounded annual growth rate of 20% per year.
- *Expansion of Solutions:* Tantalus continued to make substantial progress in expanding the functionality and features of its software user interface, TUNet Insight, through December 31, 2020, while also delivering and launching several key items including:
 - *Energy Resource Monitor:* A software feature to assist utilities in combining data from meters to expand the functionality and capabilities of comprehensive load control programs.
 - *Integration to LED Roadway's LED Street Light Controller and Fixtures:* Tantalus diversified and expanded its integrated and connected LED street light offering in partnership with LED Roadway.
 - *Expanded Voltage Resolution:* A software feature providing higher resolution and visibility into voltage readings at meters located on homes, buildings and industrial complexes that supports additional grid and power quality data analytics.
 - *Integration of Landis+Gyr module and Tantalus' Load Control Switches:* In partnership with Landis+Gyr, Tantalus integrated a Landis+Gyr communications module into Tantalus' suite of load control switches, including an agreement providing Landis+Gyr with reseller rights to sell Tantalus' integrated load control products to utilities that have selected Landis+Gyr for smart grid communications networking.
- *Awards and Recognitions:* Tantalus was recognized by Export Development Canada ("EDC") as a Cleantech Export Star. Each year, EDC highlights the achievements of leading cleantech companies during their Cleantech Annual Conference. Tantalus was recognized as one of five proven leaders in cleantech whose technologies and business strategies have succeeded in expanding their businesses beyond Canada's borders and making a positive impact across North America and the Caribbean Basin.
- *Transactions:* On September 8, 2020, Tantalus and RiseTech Capital Corp. ("RiseTech"), a TSX Venture Exchange-listed capital pool company, entered into a non-binding letter of intent, pursuant to which the parties agreed to complete a plan of arrangement, merger, amalgamation, share exchange and/or other similar transaction. On November 19, 2020, the Company entered into a definitive agreement with RiseTech to complete a merger of the two entities along with the closing of a concurrent

financing of approximately CND\$8.8 million through a private placement of subscription receipts. The Company subsequently closed the transaction with RiseTech on January 29, 2021 and raised additional capital in a second round of its concurrent financing, bringing the total financing to CND\$9.9 million.

Financial Statements and Management Discussion & Analysis

Please see the audited consolidated financial statements and related Management's Discussion & Analysis ("MD&A") for more details. The audited consolidated financial statements for the three months and year ended December 31, 2020 and related MD&A have been reviewed and approved by Tantalus' Audit Committee and Board of Directors. For a more detailed explanation and analysis, please refer to the MD&A that has been filed on SEDAR at www.sedar.com and as also available on the Company's website at www.tantalus.com.

About Tantalus

Tantalus is a smart grid technology company that transforms aging one-way grids into future-proofed multi-directional grids that improve the efficiency, reliability and sustainability of public power and electric cooperative utilities and the communities they serve. Our solutions are purpose-built to allow utilities to restore power quickly after major disruptions, adapt to rapidly shifting consumer expectations and population shifts, innovate new solutions based on the adoption of distributed energy resources and evolve their grid infrastructure at their own pace without needless cost or complexity. All this gives our user community the flexibility they need to get the most value from existing infrastructure investments while planning for future requirements.

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Non-IFRS Measures

The following and preceding discussion of financial results includes reference to Gross Profit, Adjusted EBITDA and Adjusted Working Capital, which are all non-IFRS financial measures. Management believes that Gross Profit is a meaningful indicator in evaluating the operating performance of the Company and is comprised of revenues less cost of sales. Adjusted EBITDA is comprised as income (loss) less interest, income tax, depreciation, amortization, stock-based compensation, foreign exchange gain (loss) and other non-core business related income / expenses and is provided as a proxy for the cash earnings from the operations of the business. Management believes Adjusted Working Capital is a meaningful indicator of

the operating liquidity available to the Company and is comprised of current assets less current liabilities exclusive of the Company's bank loan.

Forward Looking Statements:

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information is generally identifiable by use of the words "believes", "may", "plans", "will", "anticipates", "intends", "could", "estimates", "expects", "forecasts", "projects" and similar expressions, and the negative of such expressions. Forward-looking information in this news release includes statements regarding: the listing of the Company's shares on the TSX, the adoption and development of new products and offerings, the ability to attract customers accessing government stimulus funding, the impact of supply chain constraints and the growth of the Company's user community,

In connection with the forward-looking information contained in this news release, Tantalus has made numerous assumptions, regarding, among other things: the expected impact of COVID-19 and the expected timing of new product introductions. While Tantalus considers these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies. Additionally, there are known and unknown risk factors which could cause Tantalus' actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. Known risk factors include, among others: the impacts of COVID-19 are unpredictable and could have significant impacts on Tantalus' financial performance; sales cycles to Tantalus' customers can be lengthy and unpredictable and require significant employee time with no assurances that a prospective customer will select Tantalus' products and services; Tantalus' financial and operational performance significantly depends on its ability to attract and retain customers and its ability to develop new products and to enhance and sustain the quality of existing products to retain such customers; Tantalus depends on a limited number of key suppliers and if such suppliers fail to provide Tantalus with sufficient quantities of components at acceptable levels of quality and at anticipated costs, Tantalus' revenue and operating results could be materially and adversely affected; Tantalus has a prior history of operating losses and Tantalus may not sustain profitability on a quarterly or annual basis; Tantalus' quarterly results are inherently unpredictable and subject to substantial fluctuations; Tantalus' success depends in part on Tantalus' ability to integrate its technology into devices and its relationship with device manufacturers; Tantalus' marketing efforts depend significantly on Tantalus' ability to receive positive references from Tantalus' existing customers; the markets for Tantalus' products and services, smart grid, smart city, and broader IoT technology in general, are still developing - if the markets develop less extensively or more slowly than Tantalus expects, Tantalus' business could be harmed; Tantalus operates in a highly competitive industry and Tantalus competes against many companies with substantially greater financial and other resources, and Tantalus' market share and results of operations may be reduced if Tantalus is unable to respond to competitors effectively; Tantalus is dependent on the utility industry, which has experienced volatility in capital spending - this volatility could cause Tantalus' results of operations to vary significantly from period to period; Tantalus' reliance on certain infrastructure and information technology systems make it vulnerable to the potential adverse effects of cyber-attacks and other breaches; if Tantalus' products contain defects or otherwise fail to perform as expected, Tantalus could be liable for damages and incur unanticipated warranty, recall and other related expenses, Tantalus' reputation could be damaged, Tantalus could lose market share and, as a result, Tantalus' financial condition or results of operations could suffer; the nature of Tantalus' business exposes it to the unpredictable risks of contractual disputes; the loss of key employees and the inability to attract and retain qualified personnel could harm Tantalus' business; Tantalus' business is exposed to potential risks associated with international sales and operations; foreign exchange rate fluctuations could harm

Tantalus' results or operations; Tantalus and its customers operate in a highly regulated business environment and changes in regulation could impose costs on Tantalus or make Tantalus' products less economical; Tantalus' inability to acquire and integrate other businesses, products or technologies could seriously harm Tantalus' competitive position; intellectual property infringement claims could be costly and time-consuming to prosecute or defend; substantially all of Tantalus' current products depend on the availability and are subject to the regulation of radio spectrum in the United States and abroad; and interruptions or delays in services from Tantalus' third-party data center facilities, or problems with the third-party hardware or software that Tantalus employs, could impair the delivery of its services and harm Tantalus' business.

A more complete discussion of the risks and uncertainties facing Tantalus is disclosed under the heading "Risk Factors" in the Tantalus' Filing Statement dated January 28, 2021, as well as the MD&A included with Tantalus' continuous disclosure filings with Canadian securities regulatory authorities available at www.sedar.com. All forward-looking information herein is qualified in its entirety by this cautionary statement, and Tantalus disclaims any obligation to revise or update any such forward-looking information or to publicly announce the result of any revisions to any of the forward-looking information contained herein to reflect future results, events or developments, except as required by law.