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## **Kontrol Energy to Acquire Building Solutions Company and Announces Private Placement**

**TORONTO, May 19<sup>th</sup>, 2020 / ACCESSWIRE - Kontrol Energy Corp.** ([CSE: KNR](#), [OTCQB: KNRLF](#), [FSE:1K8](#)) (“**Kontrol**” or “**Company**”) a leader in the energy efficiency sector through IoT, Cloud and SaaS technology is pleased to announce that on May 16<sup>th</sup>, 2020, it entered into a binding agreement (the “**Agreement**”) to acquire a building energy and equipment monitoring company which operates a recurring revenue platform (“**TargetCo**”).

### **Highlights**

- TargetCo operates a building energy and equipment monitoring and service platform that helps ensure the effective operation and maintenance of essential heating, cooling and ventilation and utility systems. TargetCo provides its solutions to approximately 100 buildings, which in aggregate span more than 25 Million square feet of real estate
- Based on its July 31, 2019 fiscal year unaudited financial statements, TargetCo generated \$3.7 Million of revenue and \$843,000 of Net Income before tax
- Approximately 40% of TargetCo’s historical revenues over the past 3 years has been from recurring contracts
- TargetCo has enjoyed historically growing annual revenues in excess of 30% per annum over its past 4 fiscal years
- In some cases, Kontrol and TargetCo are currently providing separate services and solutions to the same customer. Together, Kontrol and the TargetCo will focus on efficiently scaling recurring revenues in software, Internet of Things and services across their larger combined customer base and building footprint
- Kontrol expects to complete the acquisition of TargetCo by June 20, 2020

“A core strategic objective for Kontrol is accelerating recurring revenues with high gross margins,” says Paul Ghezzi, CEO of Kontrol Energy. “We anticipate that this strategic acquisition will deliver the type of operational synergies we are focused on in terms of growing our market share, gaining new portfolio customers and building our recurring revenues.”

## Purchase Price

The Agreement provides that Kontrol will acquire 100% of the issued and outstanding shares of TargetCo for consideration of \$2.7 Million paid as to \$1.55 Million in cash, \$750,000 in the form of an unsecured vendor take-back loan with a 3.5% annual compounding interest rate and the issuance of 727,272 Kontrol common shares at a deemed price of \$0.55 cents per share. TargetCo. is currently debt-free.

## Conditions

The acquisition completion is conditional on several conditions including completion of the share purchase agreement, final due diligence, completion of financing and CSE approval.

## Private Placement

Kontrol also announces a private placement offering (the “**Offering**”) of up to 1,500 Units, with each Unit comprised of one \$1,000 8% unsecured debenture of the Company (each, a “**Convertible Debenture**” and collectively the “**Convertible Debentures**”), convertible into common shares of the Company (each, a “**Common Share**”) at the Debenture Conversion Price (as defined below); and one thousand (1,000) warrants (each, a “**Warrant**”), with each Warrant exercisable at the holders’ option to purchase one Common Share at any time prior to 5:00 p.m. (Toronto time) on June 30, 2023 (the “**Expiry Date**”) (subject to acceleration, as outlined below), at a price (subject to adjustment from time to time) of \$0.60 cents on or prior to June 30, 2022 and at a price of \$0.70 cents after June 30, 2022 until or on June 30, 2023 (as applicable, the “**Warrant Exercise Price**”).

The Convertible Debentures shall bear interest at a rate of 8.0% per annum from and including their date of issue until the earlier of their date of conversion and June 30, 2023 (the “**Maturity Date**”), payable semi-annually in arrears in cash on December 31 and June 30 of each year. The first interest payment shall be on December 31, 2020 for the period from the date of issue up to and including December 31, 2020.

The Convertible Debentures may be converted in full or in part, at the holders’ option into Common Shares, at any time prior to the Maturity Date, at a conversion price (subject to adjustment from time to time) of \$0.50 cents on or prior to June 30, 2022 and at a price of \$0.60 cents after June 30, 2022 until or on June 30, 2023 (the “**Debenture Conversion Price**”). Holders converting their Convertible Debentures will receive a cash payment equal to accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion. Fractional Common Shares will not be issued on any conversion and in lieu thereof the Company will make a cash payment equal in value to such fractional Common Shares.

At any time after August 31, 2021, the Company may force the conversion of the principal amount of the then outstanding Convertible Debentures at the then applicable Debenture Conversion Price on not less than 30 days’ notice if the volume weighted average trading price of the Common Shares on the CSE for any 20 consecutive trading day period is greater than \$0.70 cents. Similarly, at any time after August 31, 2021, Kontrol may accelerate expiry date of the then outstanding Warrants on not less than 30 days’ notice if the volume weighted average trading price of the Common Shares on the CSE for any 20 consecutive trading day period is greater than \$0.85 cents.

The Convertible Debentures will be unsecured obligations of the Company and shall rank *pari passu* in right of payment of principal and interest with all other Convertible Debentures issued under the private placement and all previously existing and future unsecured indebtedness of the Company

The Convertible Debentures, the Warrants and the underlying Common Shares will be qualified investments under the *Income Tax Act* (Canada) for RRSPs, RRIFs, RESPs, RDSPs, TFSAs and DPSPs.

The net proceeds received by the Company will be used, in part, to fund the acquisition of TargetCo, including transaction costs and applicable working capital. If the acquisition is not concluded, the net proceeds will be applied to Kontrol's working capital.

The Company may pay a cash commission (the "**Commission**") to finders equal to 7.0% of the gross proceeds from the sale of the Units attributable to such finders. In addition, the Company may also grant to finders common share purchase warrants (the "**Compensation Warrants**") equal to the quotient obtained by dividing 7.0% of the gross proceeds attributable to such finders by \$0.60 cents. Each Compensation Warrant shall be exercisable to purchase one Common Share of the Company at a price of \$0.60 on or prior to June 30, 2022, or at a price of \$0.70 after June 30, 2022 until or on June 30, 2023.

The Offering may be completed in multiple tranches, with the initial closing expected to occur on or about June 19<sup>th</sup>, 2020 (the "**Closing Date**").

### **Termination of Previously Announced Acquisition**

Kontrol also announces that it is terminating its previously announced proposed acquisition of an established and leading provider of electrical retrofit services (see Kontrol's news release dated March 14<sup>th</sup>, 2019), due to certain conditions in Kontrol's favour not having been fulfilled.

### **About Kontrol Energy**

**Kontrol Energy Corp. (CSE: KNR) (OTCQB: KNRLF) (FSE: 1K8)** is a leader in the energy efficiency sector through IoT, Cloud and SaaS technology. With a disciplined mergers and acquisition strategy, combined with organic growth, Kontrol Energy Corp. provides market-based energy solutions to our customers designed to reduce their overall cost of energy while providing a corresponding reduction in greenhouse gas (GHG) emissions.

***Kontrol Energy is one of Canada's fastest growing companies in 2018 and 2019 as ranked by Canadian Business and Maclean's.***



Additional information about Kontrol Energy Corp. can be found on its website at [www.kontrolenergy.com](http://www.kontrolenergy.com) and by reviewing its profile on SEDAR at: [www.sedar.com](http://www.sedar.com)



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**Caution Regarding Forward Looking Statements:**

*Certain information included in this press release constitute "forward-looking statements". Such forward-looking statements include, without limitation, statements regarding the Offering, conversion of the Debentures, the exercise of warrants, possible future trading prices of Kontrol's shares, the proposed acquisition of TargetCo and recurring revenue of TargetCo, possible future acquisitions, organic growth, the provision of solutions to customers and greenhouse gas emissions reductions, and customer cost savings. Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief are based on assumptions made in good faith and believed to have a reasonable basis. Such assumptions include, without limitation, that the Offering will be successful, the acquisition of TargetCo will be completed, that the Debentures will be converted, that the warrants will be exercised, that Kontrol's shares will trade at specified prices for specified periods of time, that suitable businesses for acquisition will be available, that such acquisitions will be concluded, that sufficient capital will be available to Kontrol, that technology will be as effective as anticipated, that organic growth will occur, and others. However, forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to, weak demand for the Offering may cause the Offering not to be completed in full or at all, the acquisition of TargetCo not being completed due to failure of either party or both to satisfy closing conditions or otherwise, Kontrol's common shares not attaining specified prices or for attaining and remaining at those prices for specified periods, lack of acquisition opportunities or that such opportunities may not be concluded on reasonable terms, or at all, that sufficient capital and financing cannot be obtained on reasonable terms, or at all, that technologies will not prove as effective as expected that customers and potential customers will not be as accepting of the Company's product and service offering as expected, and government and regulatory factors impacting*

*the energy conservation industry. Accordingly, undue reliance should not be placed on forward-looking statements and the forward-looking statements contained in this press release are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as at the date hereof and the Company does not undertake any obligation to update publicly or revise any such forward-looking statements or any forward-looking statements contained in any other documents whether as a result of new information, future events or otherwise, except as required under applicable securities law.*