



NEWS RELEASE

HealthSpace Presents an Update from Its Chief Executive Officer

VANCOUVER, BC – August 31, 2021 - HealthSpace Data Systems Ltd. (the “Company” or “HealthSpace”) (CSE:HS) (Frankfurt:38H) (OTC:HDSLFL) is pleased to present an update from Silas Garrison, the Company’s Chief Executive Officer:

As we end of August, I wanted to provide an update to our shareholders on where we stand, and what is ahead for HealthSpace.

Highlights:

- Current contracted ARR US\$4.38M with another \$0.33M in awarded bids; with an anticipation of another \$600-700k by year end 2021.
- US\$8M gross contract revenue signed or awarded from Jan 1 - Aug 31 2021. Up 78% for the same period from 2020 to 2021.
- GovCall successfully launched and monetized, resulting in increases of up to 20% in ARR for customers adopting GovCall.
- HSPay successfully set to launch - and expected to begin revenue - in Q4 and ramp up further through 2022.
- Substantial progress in a new FDA grant program for 2022
- Reseller agreement negotiated, with first contract delivered through that channel.
- New market vertical - government clinical health - entered with first contract.
- Sales cycle beginning to return to ‘normal’ after being substantially impacted throughout the pandemic. The quoted sales pipeline currently sits at over \$25M in total deal value.
- HealthSpace will provide a corporate update via webinar hosted by Adelaide Capital on September 14th at 2:00 PM EST. Registration link below.

Details:

HealthSpace has been steadfast in its core mission; that is, to *help make government more efficient*. Government agencies, especially those operating at a local level, have historically been in silo’s. For years, various vendors have offered numerous products to these agencies that are inflexible, dated and often do not lend themselves to creating efficiency and impede internal collaboration. In a day and age where the world is largely cloud centric and data sharing and collaboration are paramount to the speed of business, it means the existing paradigm of software solutions for government must change.

This notion that government agencies deserve better, more efficient solutions has always been our guiding principle, and we have continued to steadily make progress towards that. This principle led to the introduction of HSPay and GovCall, and is now guiding us as we look to make our product available to

more government verticals in 2022 and beyond. While the past 18 months have not been without challenge, we have made consistent and steady progress towards our targets.

On August 19th, we announced the award of Sacramento California. In addition to the importance of another win in California, replacing a long standing incumbent, this project is the first where we are seeing a return to more “normal” procurement timing. Right before the pandemic struck, the City of San Francisco went from tendering a Request for Proposal (RFP), to awarding the bid, to contract execution in just under 6 months. During the pandemic, Orange and Sonoma Counties, among many others nationally, had delays that resulted in over a year long process. This procurement with Sacramento County will end up being just over five months from start to finish. While all contracts currently being negotiated will not be completed in pre-pandemic time frames, it is encouraging to see signs of the cycle beginning to normalize.

While it may take until 2022 for local governments to return to a fully normalized function, we are encouraged to see many agencies urgently rethinking their technology platforms based on how they performed during this crisis. This is creating a pressing need for agencies to migrate their data to the cloud and their citizen services online. That, coupled with increasing federal grants being made available, is presenting us a larger market opportunity than was present pre-pandemic.

In spite of the enumerated challenges our customers have faced as front line responders, we are still enjoying a strong year. During the calendar year of 2020, the company signed contracts with a total value of US\$5.7M. There were contracts anticipated to execute in 2020 that were delayed, and some are still waiting to be finalized in hard hit areas. Regardless of that, as of the date of this announcement, the company has signed, or been awarded (in the case of Sacramento), contracts with a total value of US\$8M in 2021. This is a 35% increase over the entirety of 2020. Measuring against the same period last year, Jan 1 through August 31, the total contract value of new deals is up 78% from 2020 to 2021. Multiple contracts are in negotiation at this time, and we anticipate continued strength in contract executions through the end of the year.

At time of writing, our contracted ARR is US\$4.38M. This does not include pending contracts from bid awards, such as Sacramento, which will add an additional \$0.33M to our contracted ARR. We feel confident that at the end of the year contracted ARR will be between \$5.0-\$5.5M in ARR under contract.

We have increased the size of our sales and business development team three fold over the course of this year. Even accounting for pandemic delays, sales are up and the pipeline continues to grow. I am particularly very pleased with our business development team. Selling into, and contracting with, the government is not easy. RFP's, such as the one for Sacramento, do not come out of the blue. They are typically the result of hard work on the business development side of the company to show agencies that there is a better solution out there. Our team has done a great job of building a pipeline, and converting out of it. This positions us powerfully as the cycles return to normal heading into 2022.

In addition to the scale up of our business development team, we have aggressively scaled up our resources in other areas. Our headcount now sits at 90 full time team members which allows us to invest heavily into future growth, while not sacrificing immediate customer delivery. At the time of writing, we have over 20 concurrent customer implementations either ongoing or anticipated to start within the next two quarters.

Each one requires dedicated personnel to help guide, direct and work with the customer. That means we have added new personnel to our customer delivery teams, while increasing our engineering and product teams to deliver more innovation. Our chief goal for investing aggressively on personnel is to allow us as a company to deliver to more customers, across more use cases, faster.

HSCloud's founding vision and purpose was to allow customers, or customer delivery teams, to configure and deploy highly complex software in a fraction of the time it typically takes. While HSCloud is unparalleled in the market when it comes to its ability to be configured on the fly, we have a roadmap of product enhancements that require additional investment and are needed to reduce complexity in the customer delivery process. Over time, that investment will result in an enhanced product ecosystem that will take customer delivery time and costs down significantly from where it is today; translating into less resources needed per customer implementation and more customers going live faster. This investment will also broaden the scope of opportunities available to us within the government market, and is essential for scaling other significant revenue generating opportunities, such as HSPay and GovCall.

I, along with the board, believe that now is the time to invest heavily in the immense opportunity before us. As is common with SaaS companies, increased costs are frontloaded ahead of growth and profitability. We have experienced significant growth, while simultaneously needing continued investment in future opportunities that require more product and innovation in order to capitalize on them. Over the next two to three quarters we anticipate the growth of our team slowing. As we execute on innovation and improved customer delivery processes, team growth and costs will curtail even as contracts and revenue growth continues to accelerate.

Updates On New Product Initiatives and Rollouts

HSPay

I am also excited to update our shareholders about HSPay. After extensive investment and development, and an aggressive sales push by our business development team, we will launch our first four customers that have contracted for HSPay in October of this year. We then anticipate rolling it out to numerous customers on a consistent basis thereafter. Though we faced delays internally on the engineering and partner integration front, demand for this offering has been increasing rapidly as agencies look to fully automate and take business processes online. Many of the customers contracting for HSPay have never taken credit card payments before and, in nearly all cases, they have never taken them online. This product will fully come into its own as we progress through Q4 and into 2022.

We anticipate HSPay's impact on revenue and margins to be very positive as we take our backlog of customers that have signed up for this service live. In some customer cases, over time, it is anticipated that a customer's HSPay revenue could ultimately exceed their annual license and support payments for HSCloud. On that note, the company is pleased to announce that Shelby County, TN (Memphis) has executed a contract with the company to integrate HSPay into their HSCloud implementation this fall.

GovCall

GovCall has been received very well by our market, just months after its announcement and beta release. We have now added GovCall as an add-on in two of our most recent large contracts. We see a lot of growth,

in multiple government vertices, for this product offering in 2022. It is a true point of differentiation that is not offered by any other vendor we compete with. In fact, many of the features of GovCall, such as AI powered transcriptions and drag and drop breakout rooms, are not offered by the traditional vendors of video conferencing technology - such as Zoom and Microsoft Teams. We are seeing double digit (15-20%) ARR increases in contracts that have included GovCall.

Federal Grants

Another opportunity we have begun investing into is a rapidly deployable, fully “off the shelf” version of HSCloud for food licensing and inspections. Among the many federal grants being made available, one of the most promising is a new program provided by the US Food and Drug Administration (the “FDA”). The FDA has announced a \$40,000,000 grant to help agencies come into compliance with FDA voluntary food safety standards. The allocation of grant funding will be \$10,000,000 in 2022 and \$15,000,000 in both 2023 and 2024.

In order to receive grant funding, an agency must be compliant with these new voluntary standards by using a product like HealthSpace. Restaurant regulation, and food safety inspections, was the first functionality HealthSpace developed. As such, we have a distinct advantage in being able to quickly offer a compliant module - with little effort to deliver by our team - that allows agencies to procure our product with FDA funds. This means they do not have to find their own budget for this, and can move quickly. We will be officially rolling out this initiative in the 4th quarter, and there is an opportunity to gain substantial additional recurring revenue in our core market. In many cases, this will be growth in jurisdictions that are not in our current sales pipeline.

Reseller Agreement

The company also announced this quarter a reseller arrangement with Unisys (NYSE: UIS). The state of Wisconsin Department of Health Services procured HealthSpace through this arrangement. We are working with Unisys to get them up to speed on all of our product offerings, so that they can aggressively market them to agencies that they are working with on a regular basis, and already have on a sole source contract agreement. This is particularly valuable in verticals such as code enforcement, and for deploying GovCall outside of our current core space. We believe that there will be substantial growth through this channel over time.

Contact Tracing

While the pandemic is ebbing, we are seeing new opportunities arise as a result of the technology we deployed for contract tracing. The State of Hawaii renewed their contract in August for the contact tracing module. Additionally, customers are beginning to look at how they can keep the product features they acquired during the pandemic and pivot them for future outbreaks; for things such as the flu, foodborne illness, and other communicable diseases.

Challenges:

As discussed at some length above, the sales cycle length has, at times, been substantially impacted by the pandemic. Though we have grown in spite of that, seeing the clear beginnings of a return to “normal” means we anticipate seeing more contract closings over a shorter period of time. As variant hotspots arise and must be dealt with by our customers, we believe “normalization” will likely be regional.

One challenge that has arisen very recently has been personnel cost. The cost of our team scaling has been complicated by the pandemic. As the world re-opens, and companies realize that remote work is viable on a go-forward basis, the cost and competition for talent has soared. This is particularly acute for software developers and technical staff. We have seen increases of up to 35% in what the going rate was even just six months ago. The positive side of this is that we have begun to increase our pricing to prospective customers to offset increased personnel costs and are doing so without undermining our competitive advantages.

Given the number of heads we have had to hire, and the ones we still need, means short term this global competition for talent will inflate the cost line beyond what was previously anticipated. The company does not have the luxury of sitting out and not hiring people, as that would directly affect what contracts we can execute, as well as impair future product launches. In the government space it only takes one bad implementation to put a damper on your reputation, and this is not something that is acceptable given the size of the opportunity we are executing on.

I am committed to open and transparent communication with all of our stakeholders; from our team members to shareholders and to customers. Scaling a company is without a doubt the hardest challenge of all. We have identified a customer market, built an unparalleled product, and proven significant market traction. However, we are setting out to do something greater. That means providing more product enhancements to significantly more customers through many team members. Coordinating all these efforts and executing with precision is what it takes to meet the great opportunity before us, and it is mine and our team's sole mission and focus.

We at HealthSpace are grateful to our customers for entrusting us with their business, to our fellow team members for the dedication and hard work we share, and to our shareholders for their trust and investment.

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Registration Link: [HealthSpace Corporate Update Join Link](#)

HealthSpace Data Systems Ltd.

HealthSpace is an industry leading software as a service company serving the state, provincial and local government market across the United States and Canada. HealthSpace's cutting edge platforms currently provide inspection, information, communication and data management systems that enable government agencies to operate more efficiently. HealthSpace's cloud and mobile based platforms are currently deployed in over 600 state and local government organizations across North America. HealthSpace currently offers the only fully integrated inspection, administration and analytics product suite across all platforms in North America. HealthSpace also delivers its government grade technologies to private businesses through its My Health Department platform, enabling citizens and private businesses to gain visibility and predictability into their own organizations and move from a reactive to a proactive operational

status. As HealthSpace continues to deliver focused service and innovative solutions to government organizations, the Company entered the FinTech space through its HSPay offering which serves as a payment platform that streamlines the intake of government revenue. Further, HealthSpace's GovCall platform offers one of the only teleconferencing and video collaboration platforms tailored exclusively for government agencies.

Forward-Looking Statements

This release may contain forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. Although HealthSpace believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in forward looking statements. HealthSpace expressly disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

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