

# Zacks Small-Cap Research

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## NexTech AR Solutions (OTCQB: NEXCF)

**NexTech Preannounced Q2 Revenues of \$3.5 Million, Growth of 40.5% Sequentially**

Based on an average EV to estimated 2020 sales multiple of 21.0xs, we believe NexTech stock could be worth \$6.85 per share by 2021 if it can achieve our forecasts.

Current Price (07/29/20) US\$4.35  
Valuation US\$6.85

### OUTLOOK

NexTech AR is a technology start-up and a unique public company pure play investment in Augmented Reality. It does not produce hardware, but rather uses AR to improve eCommerce results for customers as well as its company-owned sites. Its newly acquired Inferno platform allows remote learning, virtual trade shows, and high-end conferencing features integrated with augmented reality and is garnering great interest. As one of the first movers in a multi-billion dollar market growing at almost 300% per year, NexTech should be able to grow rapidly as this nascent market explodes.

### SUMMARY DATA

52-Week High \$7.14  
52-Week Low \$0.44  
One-Year Return (%) 637  
Beta N/A  
Average Daily Volume (sh) 1,875,174

Shares Outstanding (mil) 70.1  
Market Capitalization (\$mil) 305  
Short Interest Ratio (days) 0.3  
Institutional Ownership (%) 0.0  
Insider Ownership (%) 14.3

Annual Cash Dividend \$0.00  
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates  
Sales (%) N/A  
Earnings Per Share (%) N/A  
Dividend (%) N/A

P/E using TTM EPS N/M  
P/E using 2020 Estimate N/M  
P/E using 2021 Estimate N/M

Zacks Rank N/A

Risk Level High  
Type of Stock Small Growth  
Industry IT Services

### ZACKS ESTIMATES

#### Revenue

(in millions of CAN\$)

	Q1 (Mar)	Q2 (June)	Q3 (Sept)	Q4 (Dec)	Year (Dec)
2018	0.0 A	0.0 A	0.0 A	0.9 A	0.9 A
2019	0.9 A	1.5 A	1.0 E	2.6 A	6.0 E
2020	2.5 A	3.5 A	5.0 E	7.1 E	18.2 E
2021					30.2 E

#### EPS (GAAP)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sept)	Q4 (Dec)	Year (Dec)
2018	N/A	N/A	N/A	N/A	N/A
2019	-\$0.03 A	N/A	N/A	-\$0.01 E	N/A
2020	-\$0.02 A	-\$0.01 E	-\$0.00 E	\$0.02 E	-\$0.00 E
2021					\$0.04 E

Zacks Projected EPS Growth Rate - Next 5 Years % N/A

## WHAT'S NEW

### NexTech Preannounces Q2, Showing Growth of 133%

Recently NexTech preannounced its Q2 revenues of \$3.5 million, up 133% over last year and 40.5% sequentially. Most of that growth came from the acquisition of Jolokia both from current customers and a rapid increase in new customer wins as NexTech took control of sales and marketing. Q3 looks even stronger as contracts will not be booked as revenues until the customer has completed the event or trade show for which the deal was signed. Many deals are for events that are in future months so activity in Q2 may show up in Q3 or even later. Given this accounting treatment we expect the company may start reporting deferred revenues on its income statement giving investors an indication of future revenues. Up until NexTech took over all of Jolokia's revenues were from annual contracts recognized ratably. Now many deals are being made for single events as well.

Today NexTech AR announced it has partnered with Ryerson University, with over 46,000 students, to launch RALE, the Ryerson Augmented Learning Experience platform, based on NexTech's InfernoAR. The technology license agreement has an initial value of \$250,000 and may create more revenue tied to additional AR services. The initial launch will focus on teaching first year chemistry, biology, and physics to over 5,000 students during the fall and winter semesters. The initial agreement calls for an annual license fee for the InfernoAR platform, plus an annual license fee for the Aritize white label app, plus a fee per AR lab with an initial build of 20 labs. The company will offer this same business model to schools throughout North America. This solution could have wide appeal to schools trying to offer more than video to enhance learning and replace in person labs.

Because of this Q2 revenue beat, and the extreme interest in the InfernoAR platform, we are raising estimates. Since Jolokia became part of NexTech the company has rapidly ramped sales and marketing efforts and hired more and higher experienced sales people that are closer more and higher ticket deals. There has been a large increase in activity from the company's spend on advertising and sales activity and the pipeline has increased exponentially. We expect this to translate to higher sequential revenues. We now expect 2020 revenues to exceed CN\$18.2 million or \$13.5 million US. This does not take into account that we also fully expect the company to make accretive acquisitions this year.

As a reminder, NexTech closed the acquisition of Jolokia on April 30, 2020. At that time Jolokia had approximately eleven employees. It is located in Santa Cruz, California. In 2019 it generated \$1 million in revenues and had customers such as Merck (NYSE: MRK), Toyota (NYSE: TM), CBS, and Polycom, all of whom were on annual subscription plans. NexTech paid 1 million shares in restricted stock priced at \$1 per share (\$1.38 CAD,) and Jolokia has a 12-month earn-out based on revenue milestones of an additional \$4 million.

Recently the shorts attacked the company with numerous issues many of which are discussions of past results. Current investors are looking to the future and the success of the Jolokia acquisition, which, in the preannouncement of Q2 revenues, looks to have already contributed in a meaningful way. The company is seeing great interest and has a large pipeline of prospects, which are turning into new customers daily. While there is certainly still risk to estimates, if NexTech can execute and build repeat customers, it certainly well positioned in an industry that is exploding.

### Events That Occurred in the Second Quarter of 2020 Since Our Last Report

**May 22, 2020:** The company announced positive results for its recently launched 3D/AR Ad Network which went live on [February 4th 2020](#). It cited that using the company's 3D/AR ads resulted in a 300% increase in sales conversions, a 32% increase in click-through-rate (CTR) and a 23% lower cost per click than traditional 2D ads.

**May 19, 2020:** NexTech AR announced that it had integrated InfernoAR with Cvent Solutions. Integration with CVENT helps end-users seamlessly register and become more productive while using the platform.

**June 4, 2020:** NexTech AR launched its new ARitize360 app. It is now live and available to be downloaded free on both iOS and Android. ARitize360 is initially being marketed to the shoe and sneaker industry where 3D/AR photo realistic scans can be now be cost effectively made at scale. Next the company plans to expand to clothing and other high value objects. App users gets one free 3D/AR scan, but be billed for additional scans as well as be charged a monthly subscription fee for hosting the 3D asset. Previously, capturing or creating 3D/AR objects has been a painfully time consuming and expensive process costing \$250-\$2500 for each 3D product which has held AR back from mass adoption. NexTech's ARitize360 app reduces the skill needed, the time required and cost to just \$99 or less.

**June 19, 2020:** NexTech AR closed a private placement of **1,528,036** units at **\$2.10** per unit for gross proceeds of **\$3,208,875**. Each unit consists of one common share and one half-share purchase warrant exercisable at \$3.00 per share for a period of two years.

### Subsequent Events

**July 21, 2020** - Evan Gappelberg, CEO, purchased 250,000 shares through a warrant conversion for \$175,000 increasing his total holdings to 6,093,328.

**July 28th, 2020** – NexTech AR appointed Ori Inbar to its Board of Directors. Inbar is a recognized AR expert, having been involved in the industry for over a decade as both a startup entrepreneur and a venture capital investor through SuperVentures.

### Balance Sheet Update

NexTech ended the June quarter with \$2.3 million in cash and working capital of \$3.6 million. It announced it now has \$6.4 million in cash and working capital of \$7.3 million. In addition it has been granted a credit facility of \$600,000 from the Royal Bank of Canada.

Subsequently, it announced it was raising cash from a new secondary offering of units consisting of one share of stock with a warrant for one half of one share and expects this to be completed the week of August 17th. This offering is for up to \$15 million or **2,307,692 units** at a price of CN\$6.50 per unit. The banker is Mackie Research Capital Corporation. Warrants are exercisable at CN\$8.00 for a period of 24 months, subject to an accelerated expiry if the volume-weighted average price of the stock exceeds \$11.00 for 15 consecutive trading days. The cash is to be used for general corporate purposes.

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## KEY POINTS

- NexTech AR is a small, B2B startup based in Toronto that was formed to provide services for, and invest in, businesses using Augmented Reality (AR) and hologram technologies. These technologies are used to improve sales and profits for eCommerce sites, and other verticals such as entertainment. This technology converts two-dimensional images of real objects and people into three dimensions using scanners and software. Using AR is a proven way to boost sales and reduce returns in eCommerce, and provides an engaging, economic way to provide information in the education and training space.

- Augmented Reality (AR) is just beginning to make its way into mainstream use and the market is exploding. NexTech AR is the only public pure play we know of that is providing services to allow companies to use AR in marketing and advertising their goods. At a price to vendors of \$30 per month per SKU, adoption of just a tiny percent of the trillions of products sold worldwide will create a massive revenue stream for NexTech AR.
- The company is currently has four sources of revenue:
  - Its newest and most popular offering comes from its April acquisition of Jolokia. It provided the Inferno AR platform that allows remote meetings integrated with augmented reality with more features than available from mainstream video conferencing platforms, but will work with them seamlessly. It has garnered huge interest from potential customer and thorough increased sales and marketing is growing rapidly.
  - A SaaS offering to businesses that places AR renderings created by NexTech AR, or by the customer themselves, for use on their shopping websites and mobile apps, or in ad campaigns. ECommerce customers are charged a monthly fee based on the number of SKUs.
  - A new AR ad network to allow customers to place their AR content in advertisements with one stop shopping.
  - An eCommerce business that enhanced by the use of AR and holograms in its marketing. This business currently generates most of the revenues for the company and its main web site sells vacuum cleaners and accessories. While now it uses these web sites primarily for in house testing, we could see the company growing them and ultimately reselling them or spinning them off later at higher valuations.
- With a nascent market projected to increase by 289% per year over the next five years, NexTech as a unique public pure play that could deserve a higher valuation. It currently trades at an enterprise value of US \$344 million or 25.5xs projected 2020 calendar sales of US\$13.5 million or 15.3xs estimated 2021 sales US\$22.5 million.

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## OVERVIEW

### The NexTechAR Platform

NexTech offers a web-enabled augmented reality (AR) platform with Artificial Intelligence (AI) and analytics to a variety of vertical market industries via a SaaS model. It integrates with Shopify, Magento, and Wordpress, and offers eCommerce sites a universal 3D shopping solution. With just a few lines of embed code, the company's patent-pending platform offers the most technologically advanced 3D AR/AI technology anywhere. The company believes it has created the AR industry's first end-to-end affordable, intelligent, frictionless, scalable platform. NexTech provides the **only platform that works with both IOS and Android**. It also provides a complete solution which can include image capture to turn objects into 3D, customer self publishing, hosting, and provides the ability to add AR images through the addition of a single line of JavaScript.

### The InfernoAR Platform

This platform, acquired in the April purchase of Jolokia, is used to integrate augmented reality capabilities into video conferencing. The platform works with almost all the major conferencing services and with 3D capabilities is ideally suited to replace in person meetings that require visuals such as product introductions, trade shows, and certain learning environments.

## VALUATION

As a start-up, NexTech is difficult to value given its unique position as a public company with no others doing what it does. If we look to value it as an eCommerce business, there are few companies out there with the growth NexTech AR is showing. The eCommerce business is profitable and cash flow positive and helps NexTech keep down the need to raise cash. NexTech is also valuable as an acquisition candidate given its first mover position. Third, we expect that given its business model, it should be profitable in the next few quarters and could be highly profitable next year versus the other companies we are using as comps.

We have taken a group of companies involved in augmented reality as well as companies that provide conferencing like Jolokai. Since we last valued the company, the comparables have gone way up in valuation as the market recovered and investors realized how these companies were benefitting from remote working and shopping. At current valuations we get an average of 21.0 times EV/2020 Sales. So using US\$22.5 million for 2021 estimated sales, and a 21.0 multiple, by next year NexTech could be worth an enterprise value as high as US\$473 million or a market value of \$480 million. Dividing by the current share count of 70.1 million, this would be a market value of US\$6.85 per share or CN\$9.15 per share.

Company	Ticker	Calendar Revenue 2021E	Calendar Revenue 2020E	LTM	EBIDTA Margin	Enterprise Value / Sales 2021E	Enterprise Value / Sales 2020E	LTM	Included in Average?	Enterprise Value
Slack	WORK	1,140	871	697	-81%	13.4	17.5	21.9	y	15,270
Snap	SNAP	2,940	2,130	1,860	-48%	10.9	15.1	17.3	y	32,120
WiMi Hologram Cloud	WIMI	83	61	46	43%	9.1	12.3	16.4	y	749
Zoom	ZM	2,260	1,800	829	8%	31.1	39.0	84.7	y	70,240
<b>Average</b>						16.1	21.0	35.1		23,707

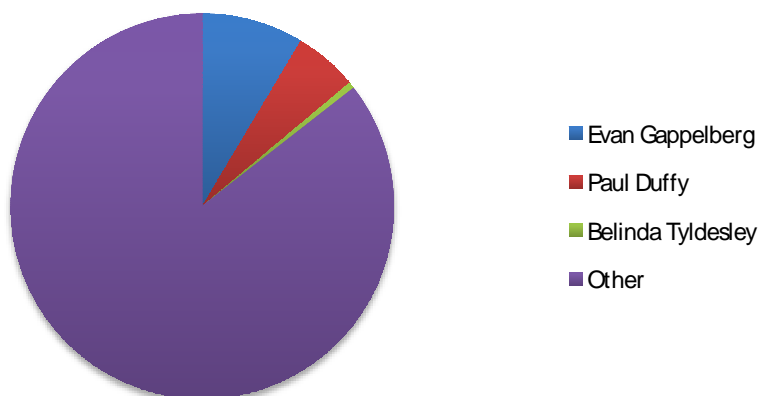
A new public company comparable to watch is WiMi Hologram Cloud. It is a Beijing-based company that offers hologram and AR based advertising services that went public on April 1<sup>st</sup> and is now valued at an enterprise value of \$750 million. In 2019 it generated \$46 million in revenues and is highly profitable. We have not yet figured out how it earns that money, nor why it has NexTech AR's photos on its home page (scroll down to applications.)

## RISKS

- NexTech is a start-up with limited operating history. There is no assurance its will evolve into a sustainable going concern.
- The company is operating at a loss and may need to raise capital until it reached cash flow break even which could result in dilution of current shareholders.
- To date, NexTech has depended heavily on funding from senior management.
- AR usage is just beginning to be used by early adopters and it is hard to predict how fast or even if AR will be put into use by mainstream eCommerce sites. The company's business with AR customers is still very small and has yet to garner meaningful traction.
- This industry will attract many larger companies with much greater resources who could compete with NexTech in the future.

- The company has just launched new product lines, which make take more resources and time than expected and may not be successful.

## OWNERSHIP



## PROJECTED CALENDAR YEAR INCOME STATEMENT

In Canadian Dollars	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
	Mar 31, 2019	June 30, 2019	Sept 30, 2019E	Dec 31, 2019	Mar 31, 2020	June 30, 2020E	Sept 30, 2020E	Dec 31, 2020E	2019E	2020E	2021E
<b>Net Revenue</b>	<b>\$901,111</b>	<b>\$1,515,869</b>	<b>\$1,568,194</b>	<b>\$2,014,826</b>	<b>\$2,491,985</b>	<b>\$3,530,000</b>	<b>\$4,987,150</b>	<b>\$7,145,000</b>	<b>\$6,000,000</b>	<b>\$18,154,135</b>	<b>\$30,186,754</b>
Yr-to-Yr Growth	NA	NA	NA	129%	177%	133%	218%	255%	NM	202.6%	66.3%
Cost of goods	534,094	NA	NA	364,826	1,144,136	1,411,000	1,550,000	1,700,000	2,800,000	5,805,136	8,301,344
Gross margin	367,017	NA	NA	1,650,000	1,347,849	2,119,000	3,437,150	5,445,000	3,200,000	12,348,999	22,640,066
Percent of revenues	40.7%	NA	NA	81.9%	54.1%	60.0%	68.9%	76.2%	53.3%	68.0%	75.0%
Sales and marketing	696,952	NA	NA	NA	1,499,315	1,650,000	1,800,000	2,200,000	NA	7,149,315	12,000,000
General and administrative	382,054	NA	NA	NA	763,082	770,000	780,000	1,000,000	NA	3,313,082	5,000,000
R&D	583,909	NA	NA	NA	373,331	400,000	400,000	450,000	NA	1,623,331	2,100,000
Amortization	31,476	NA	NA	NA	88,253	100,000	100,000	100,000	NA	388,253	350,000
Depreciation	16,093	NA	NA	NA	9,849	10,000	10,000	10,000	NA	39,849	50,000
Impairment	-	NA	NA	NA	-	-	-	-	NA	-	-
Foreign exchange loss (gain)	(42,981)	NA	NA	NA	1,694	-	-	-	NA	1,694	-
Total operating expenses	1,667,503	NA	NA	NA	2,735,524	2,930,000	3,090,000	3,760,000	NA	12,515,524	19,500,000
Operating income	(1,300,486)	NA	NA	NA	(1,387,675)	(811,000)	347,150	1,685,000	NA	(166,525)	3,140,066
Operating margin	-144.3%	NA	NA	NA	-55.7%	-23.0%	7.0%	23.6%	NA	-0.9%	10.4%
Financing expense	9,993	NA	NA	NA	-	-	-	-	NA	-	-
Income before income taxes	(1,290,493)	NA	NA	NA	(1,387,675)	(811,000)	347,150	1,685,000	NA	(166,525)	3,140,066
Income taxes	(1)	NA	NA	NA	24,239	24,239	24,239	24,239	NA	96,956	94,202
Tax rate	0.0%	NA	NA	NA	-1.7%	-3.0%	7.0%	1.4%	NA	-58.2%	3.0%
Net income	(1,290,494)	NA	NA	NA	(1,363,436)	(786,761)	371,389	1,709,239	NA	(69,569)	3,234,268
Exchange differences on translating foreign operations	(3,625)	NA	NA	NA	488,316	-	-	-	-	-	-
Total comprehensive loss	(1,294,118)	NA	NA	NA	(875,120)	(811,000)	347,150	1,685,000	NA	(166,525)	3,140,066
<b>Earnings per share</b>	<b>\$ (0.03)</b>	NA	NA	NA	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>	<b>\$ 0.00</b>	<b>\$ 0.02</b>	NA	<b>\$ (0.00)</b>	<b>\$ 0.04</b>
Non-GAAP earnings per share	\$ (0.03)	NA	NA	NA	\$ (0.02)	\$ (0.01)	\$ 0.00	\$ 0.02	NA	\$ (0.00)	\$ 0.04
Shares outstanding	51,030,728	NA	NA	60,000,000	61,378,508	66,042,000	72,418,740	72,418,740	NA	68,064,497	72,418,740
Yr-to-Yr Growth					20%	NA	NA	21%	NA	NA	6%
All in shares	67,230,728	NA	NA	61,500,000	65,108,000	71,506,122	79,067,862	79,067,862	NA	73,687,462	79,067,862

## HISTORICAL FISCAL YEAR INCOME STATEMENT

In Canadian Dollars	Q1 Aug 31, 2018	Q2 Nov 30, 2018	Q3 Feb 28, 2019	Q4 May 31, 2019	Q1 Aug 31, 2019	Jan 12, 2018- May 31, 2018	FY 2019R
E-commerce	\$0	\$0	\$508,000	\$1,371,530	\$1,510,191	-	\$1,879,530
A/R and other	22,544	43,132	23,185	33,974	3,005	24,947	122,835
<b>Net Revenue</b>	<b>\$22,544</b>	<b>\$43,132</b>	<b>\$531,185</b>	<b>\$1,405,504</b>	<b>\$1,513,196</b>	<b>\$24,947</b>	<b>\$2,002,365</b>
Yr-to-Yr Growth	NA	NA	NA	5534%	6612%	NM	NM
Cost of goods	12,738	-	322,435	690,605	818,338	10,621	1,025,778
Gross margin	9,806	43,132	208,750	714,899	694,858	14,326	976,587
Percent of revenues	43.5%	100.0%	39.3%	50.9%	45.9%	57.4%	48.8%
Accretion expense	10,991	7,655	-	2,405	27,232	12,348	21,051
Admin fees and office costs	86,950	113,121	144,283	345,998	323,046	51,273	690,352
Advertising and marketing	-	-	-	259,676	179,546	-	259,676
Amortization	24,377	28,382	23,069	48,511	102,247	13,889	124,339
Business development	2,398	21,120	-	-	-	-	23,518
Consulting fees	239,156	273,457	293,669	774,558	595,077	220,055	1,580,840
Depreciation	-	-	-	27,944	-	548	27,944
Foreign exchange (gain) loss	(3,545)	(32,332)	(44,436)	(29,101)	10,760	(25,536)	(109,414)
Impairment of intangible assets	-	-	194,444	-	-	-	194,444
Investor relations	17,097	59,140	306,971	164,651	118,537	52,093	547,859
Management fees	104,085	88,770	103,322	56,255	136,388	50,930	352,432
Payroll and benefits	-	-	-	160,236	186,374	-	160,236
Professional fees	81,700	36,835	65,512	141,498	60,692	54,392	325,545
Sales and marketing	-	-	-	452,443	30,094	-	452,443
Share-based payments	-	96,390	370,549	283,943	184,938	370,125	750,882
Transfer agent & regulatory fees	-	18,203	17,798	24,299	1,950	-	60,300
Travel	45,621	47,174	61,895	42,970	62,388	40,275	197,660
Other expense	-	-	-	-	4,810	-	21,051
Total operating expenses	608,830	757,915	1,537,076	2,756,286	2,024,079	840,392	5,660,107
Operating income	(599,024)	(714,783)	(1,328,326)	(2,041,387)	(1,329,221)	(826,066)	(4,683,520)
Operating margin	-2657.1%	-1657.2%	-250.1%	-145.2%	-87.8%	-3311%	-234%
Deferred income tax recovery	-	-	-	15,971	9,993	-	15,971
<b>NET INCOME</b>	<b>(599,024)</b>	<b>(714,783)</b>	<b>(1,328,326)</b>	<b>(2,025,416)</b>	<b>(1,319,228)</b>	<b>(826,066)</b>	<b>(4,667,549)</b>
Currency translation adjustment	0	573	33,467	(26,353)	(3,625)	-	7,687
Total other income	0	573	33,467	(26,353)	(3,625)	-	7,687
Comprehensive Income	(599,024)	(715,356)	(1,361,793)	(2,015,034)	(1,322,853)	(826,066)	(4,659,862)
<b>Net loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.03)</b>	<b>\$ (0.04)</b>	<b>\$ (0.02)</b>	<b>\$ (0.04)</b>	<b>\$ (0.11)</b>
Non-GAAP loss per share	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.02)	\$ (0.02)	\$ (0.08)
Shares outstanding	37,537,872	39,139,213	47,336,099	53,750,000	55,581,781	22,081,328	44,443,149
Yr-to-Yr Growth	NA	NA	514%	199%	48%	NA	101%
Fully diluted shares	53,737,872	55,339,213	67,736,099	55,250,000	58,571,781	NA	45,943,149
Adjusted EBITDA	(574,647)	(590,011)	(740,264)	(1,680,989)	(1,042,036)	(441,504)	(3,642,330)

## BALANCE SHEET

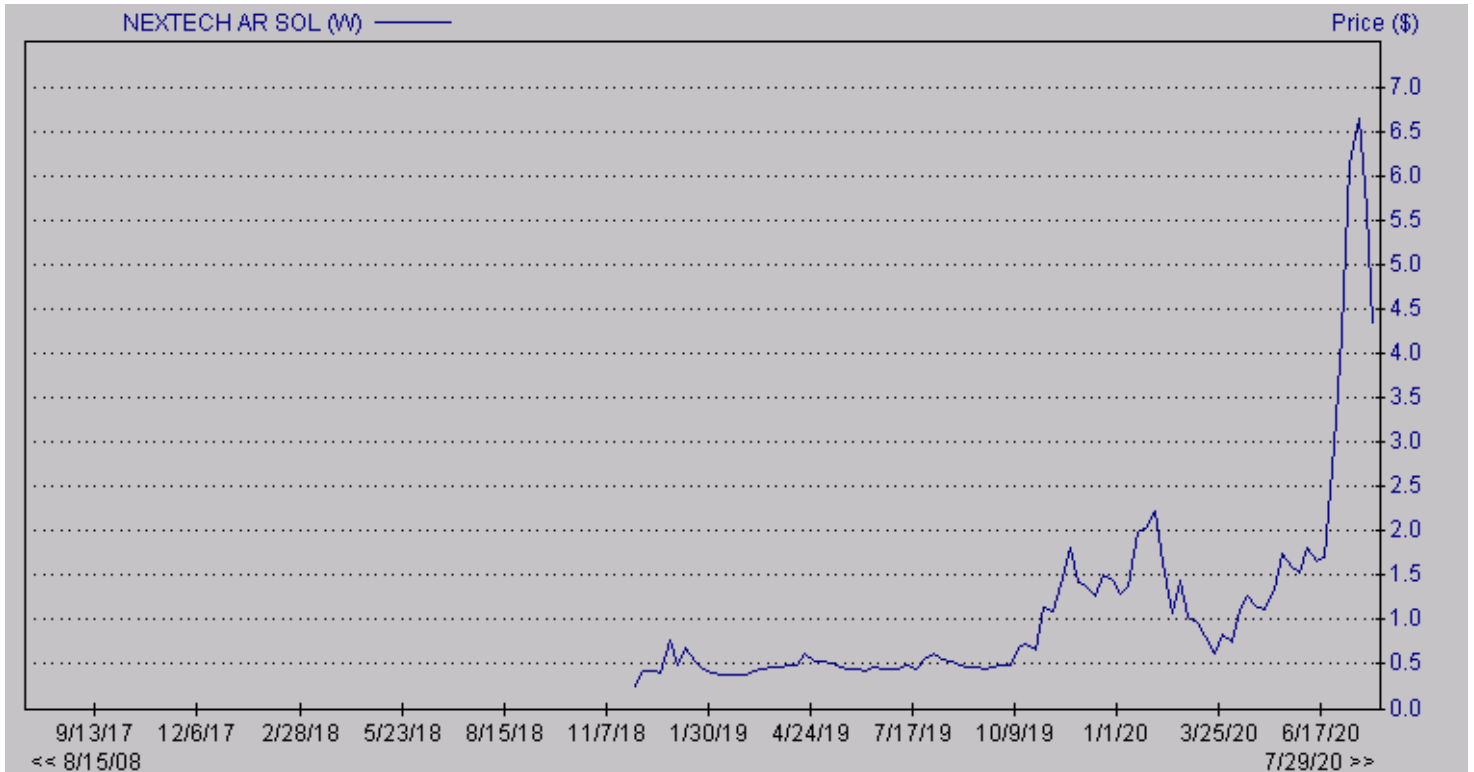
Canadian Dollars	Mar 31, 2020	Dec 31, 2019	Qtr-Qtr % Change	May 31, 2019	Mar-May % Change
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,309,656	\$ 2,849,344	-19%	\$ 329,678	601%
Accounts receivable	620,896	403,651	54%	421,274	47%
Prepaid expenses	219,725	200,650	10%	178,715	23%
Inventory	1,598,394	1,353,584	18%	579,857	176%
Total current assets	4,748,671	4,807,229	-1%	1,509,524	215%
Equipment	137,486	146,555	-6%	149,879	-8%
Intangible assets	3,927,448	3,683,079	7%	6,188,060	-37%
Total Assets	8,813,605	8,636,863	2%	7,847,463	12%
<b>Current Liabilities:</b>					
AP & accrued liabilities	1,050,408	1,243,528	-16%	747,479	41%
Other payables	97,771	230,174	-58%	772,078	-87%
Total current liabilities	1,148,179	1,473,702	-22%	1,519,557	-24%
Deferred income tax liability	72,717	96,956	-25%	193,435	-62%
Total Liabilities	1,220,896	1,570,658	-22%	1,712,992	-29%
<b>Stockholders' Equity</b>					
Common Stock	16,551,989	15,210,041	9%	10,551,142	57%
Convertible debentures	835,830	1,025,595	-19%	0	NM
Reserves	2,163,919	1,407,330	54%	1,076,944	101%
Deficit	(11,959,029)	(10,576,761)	13%	(5,493,615)	118%
Total Stockholders' Equity	7,592,709	7,066,205	7%	6,134,471	24%
Total Liabilities and Stockholders' Equity	8,813,605	8,636,863	2%	7,847,463	12%
Current ratios	4.1	3.3	27%	1.0	316%
Quick ratio	2.7	2.3	17%	0.6	348%
Cash as % of assets	26%	33%	-21%	4%	524%
Working Capital	3,600,492	3,333,527	8%	(10,033)	-35986%
Convertible Debt	835,830	1,025,595	-19%	0	NM
Debt/Total Assets	9%	12%	-20%	0%	NM



## CASH FLOW

	3 Months Ending Mar 31, 2019	3 Months Ending May 29, 2019	Year Ending May 29, 2019	3 Months Ending Aug 31, 2019	7 Months Ending Dec 31, 2019	3 Months Ending Mar 31, 2020
<b>Net Income</b>	\$ (1,300,486)	\$ (2,025,416)	\$ (4,667,549)	\$ (1,319,228)	\$ (5,297,134)	\$ (1,363,436)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>						
Amortization	31,476	48,511	124,339	102,247	190,018	88,253
Accretion expense	0	2,405	21,051	27,232	7,194	0
Consulting fees	0	(180,000)	0	0	0	0
Deferred income tax recovery	0	(15,197)	(15,197)	(9,993)	(96,479)	(24,239)
Depreciation	16,093	27,944	27,944	0	21,720	9,849
Interest expense	0	0	0	10,449	0	0
Shares issues to settle related party liabilities	0	0	0	0	0	38,239
Share based payments	361,851	283,943	750,882	184,938	391,148	650,946
Shares for services	60,000	0	80,000	0	62,999	0
Write-off of intangible asset	0	0	194,444	0	2,207,750	0
Currency translation adjustment	0	26,118	0	(6,890)	0	0
<b>Changes in assets and liabilities:</b>						
Receivables	(213,475)	(240,426)	(341,108)	99,288	17,623	(217,245)
Prepaid expenses	(409,887)	(93,242)	(115,408)	(61,837)	(22,798)	(19,075)
Inventory	(267,849)	(26,333)	(71,789)	(180,059)	(773,727)	(244,810)
Accounts payable and accrued liabilities	(169,480)	475,144	461,505	(33,100)	496,912	(325,523)
Net Cash Used In Operating Activities	(1,891,757)	(1,716,549)	(3,550,886)	(1,186,953)	(2,794,774)	(1,407,041)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Cash acquired on a business combination	128,670	3,138	128,670	0	0	0
Purchase of equipment	(12,125)	(12,144)	(127,124)	0	(18,639)	0
Purchase of intangibles	0	499,072	0	0	0	0
Acquisition of Infinite Pet Life	0	(1,760,294)	(1,760,294)	0	(434,005)	0
Acquisition of HootView	(85,664)	(85,664)	(85,664)	0	0	0
Net Cash Used In Investing Activities	30,881	(1,355,892)	(1,844,412)	0	(452,644)	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Convertible debenture	0	0	0	985,500	985,500	0
Capital contribution	0	(212,037)	106,338	0	0	0
Proceeds from the issue of shares	0	1,164,600	3,080,750	1,740,377	4,601,638	0
Proceeds from options and warrants	2,605,750				267,400	712,439
Lease payments	0			(13,292)	0	0
Business acquisition installment payments	0			(450,861)	0	0
Net Cash Provided By Financing Activities	2,605,750	952,563	3,187,088	2,261,724	5,854,538	712,439
Foreign exchange	95,739	14,171	14,171	0	(87,454)	154,914
Net Increase in Cash	840,613	(2,105,707)	(2,194,039)	1,074,771	2,519,666	(539,688)
Cash - Beginning of Period	1,646,858	2,355,385	2,523,717	329,678	329,678	2,849,344
Cash - End of Period	2,487,471	249,678	329,678	1,404,449	2,849,344	2,309,656
<b>Operating cash flow</b>	(831,066)	(1,831,692)	(3,484,086)	(1,011,245)	(2,512,784)	(600,388)
<b>Free cash flow</b>	(843,191)	(3,187,584)	(5,457,168)	(1,462,106)	(2,965,428)	(600,388)

# HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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