October 10, 2019

Zacks Small-Cap Research

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NexTech AR Solutions (NEXCF-OTC)

NEXCF:
A Pure Play Augmented Reality Stock

Based on EV to forecasted sales, we believe NexTech stock is worth $1.50 per share.

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. In addition, it uses hologram technology and is starting to apply its technologies to the education and entertainment spaces. 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.

Current Price (10/09/19)	US$0.66
Valuation	**US$1.50**

SUMMARY DATA

52-Week High	**$0.66**
52-Week Low	**$0.43**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**74,796**
Shares Outstanding (mil)	**56.3**
Market Capitalization ($mil)	**37.2**
Short Interest Ratio (days)	**0.1**
Institutional Ownership (%)	**0.0**
Insider Ownership (%)	**30.7**
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	**Above Average**
Type of Stock	**Small Growth**
Industry	**IT Services**

ZACKS ESTIMATES

Revenue
(in millions of CAN$)

	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2018	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2019	0.0 A	0.0 A	0.5 A	1.4 A	2.0 A
2020	1.5 E	2.3 E	2.4 E	2.1 E	8.3 E
2021					14.4 E

EPS
(GAAP)

	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2018	N/A	N/A	-$0.06 A	-$0.02 A	-$0.04 A
2019	- $0.02 A	-$0.02 A	-$0.03 A	-$0.04 A	-$0.11 A
2020	-$0.02 E	-$0.01 E	-$0.01 E	-$0.01 E	-$0.04 E
2021					$0.02 E

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

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KEY POINTS

- 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.

- 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.

- AR technology is just starting to be introduced to online advertising. Instagram just added four vendors who have pioneered the space with try-on features and is working to add AR marketing and advertising to its platform. Google and Unity are both active in working on adding AR capability to their advertising platforms, and NexTech AR is working with both of them to make it easy for customers to create and place AR ads with them. This market is starting from virtually zero today and should be huge if even a small percentage of companies use AR to sell or advertise their products. Just as video ads grew and are sold at much higher prices that display ads, we expected AR ads to be even more expensive opportunity for ad networks.

- The company is currently has two sources of revenue:

    - A SaaS offering to businesses that place 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. Current customers include IBM, Budweiser, Zoltan David, Block Scientific, Walther Arms, Wright Brothers, Vertical Designs, Touchstone Home Products, and BRNT Designs.

    - The sale of products via the web or mobile app enhanced by the use of AR and holograms in its marketing. This business currently generates most of the revenues for the company. NexTech is acquiring eCommerce businesses that have standard web sites and then adding AR and/or holograms to boost sales and profitability. This year NexTech purchased two small companies, selling unrelated products, but with positive cash flow and it has already started to improve them. We expect it to continue to buy web sites at low valuations when available. While these company-owned web sites are primarily being used for in house testing, we could see the company growing them and ultimately reselling them later at higher valuations.

- The company is uniquely positioned versus its competition. Its platform works with both Apple and Android, while others work only on IOS. It can push 3D content to both the web, and an app, while others cannot do both. It allows customers to self publish which others do not. It provides a full range of services—from image capture to hosting, and it has expertise in holograms and training allowing it to add more than just basic 3D AR capabilities.

- It has just launched its education and training platform that can not only be integrated into eCommerce sites to teach customers about products, but can be used for traditional teaching, training and even entertainment. We expect it to go live with current customer companies like Walther Arms, who will use it to compile complete information about its products, along with training and talks by product evangelists.

- With a nascent market projected to increase by 289% per year over the next five years, NexTech as a unique public pure play deserves a higher valuation. It currently trades at 2.5xs projected 2020 calendar sales of US$12 million.

OVERVIEW

The NexTech AR 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. In FYQ3 2019, it launched a new unity plugin developer-focused program called the "ARitize Studio", which is a publishing platform available for the creation and distribution of AR-first and AR-native experiences for IOS, Android and NexTech's AR 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.

New Customers

NexTech continues to add new customers and now has approximately 30 accounts using or about to use its AR capabilities. Investors can view examples of AR in use at the following links and clicking on the "View in 3D button" on the sites:

Walther Arms: https://bit.ly/30VPcGD

Zoltan David jewelers: https://bit.ly/2Yh7yFD

Touchstone Home Products electric fireplaces: **https://bit.ly/2VrtNnD**

NexTech also uses AR on its own VacuumMart web site. It works best on a mobile phone where you can easily incorporate a photo of your room: **https://bit.ly/2lw38AT**

Partnership With LivePerson

NexTech is currently in discussion with LivePerson to integrate AR capabilities into its messaging app resulting in the ability of the sales assistant to turn into a personal shopper and the customer to see products in their own setting or next to item, as well as using a try on function. The two are working on choosing a use case with which to showcase the technology, which could lead to a cross sell arrangement between LivePerson and NexTech. If successful, LivePerson would sell NexTech AR technology to its installed base of 18,000 customer brands worldwide. For an example of how this technology is used to sell Tamara Mellon should see the video: https://vimeo.com/341951992. The live person in the online chat suggests a product to the shopper. In this example, a shopper is looking for a pair of shoes to match a dress and using a phone, she can use AR to place the shoes next to her dress on her bed to see how they look together.



Source: NexTech AR

Growth Through Acquisition

NexTech is also building its business through the acquisition of synergistic technology and eCommerce web sites on which to use that technology. It has bought two eCommerce websites so far, and will continue to buy small Internet business that sell between $1 and $3 million in revenue and have an EBITDA margin of at least 30%. The company will pay approximately 3xs cash flow for these businesses. The purpose of these acquisitions is to both use them as laboratories for its technology, as well as to boost sales and then possibly resell them at a profit. Sort of like *Flip this House,* but with web sites. Acquisitions made so far in chronological order are:

On December 4th, NexTech acquire **edCetra**, an eLearning platform by issuing 300,000 common shares to Reuben Tozman, its founder and current COO of NexTech. EdCetra serves as the basis for its platform to collect information on a product in one database, as well as add hologram speakers to teach about products or subjects in both an eCommerce or an educational setting. Fortune 500 companies such as Imperial Oil, Bombardier, and Staples, as well as the Library of Congress and others to educate and train employees have used EdCetra. The company is now rolling out this platform with a number of customers and we expect to see it in use in the fall. The first customer going live is Walther who is will be adding holograms and an information database to 25 SKUs. Brand ambassadors will teach potential customers about the product and how to use it via a downloadable app, which will provide all the information Walther has on that specific product including PDFs, videos, and Word content.

On January 7th, NexTech AR Solutions bought **AR eComm** which owns **Vacuum Cleaner Market** (VCM) to bring in house a company owned by NexTech AR's CEO and COO. VCM is a retailer of vacuum cleaners and supplies based in Morgan Hill, California. In 2018 it generated $2.65 million in revenue and $275,000 in EBITDA. AR eComm was bought for 2 million shares of common stock worth $1.62 million from CEO Evan Gappelberg and COO Reuben Tozman each of whom owned 50% of the company. VCM has relationships with Amazon, PayPal, eBay, and large well-known brands like Miele, Dyson, and Electrolux. In addition to selling product, VCM serves as an owned and operated test site for its AR technologies and resulting sales improvements. The company has seen very positive results from integration of its web enabled AR. VCM currently generates the majority of the company's sales and has ambitious plans to ramp growth both by becoming the vendor of choice for vacuums on Amazon (two thirds of sales) and by adding other vacuum brands and accessories. Proven eCommerce operators who have already improved efficiencies and restructured operations to support growth staff the new VCM management team.

On February 26th NexTech AR Solutions acquired **Hoot™,** a major player in the 2D to 3D photography software industry, based in Austin, Texas. Hoot provides 3D and 360-degree product photography, spin, and

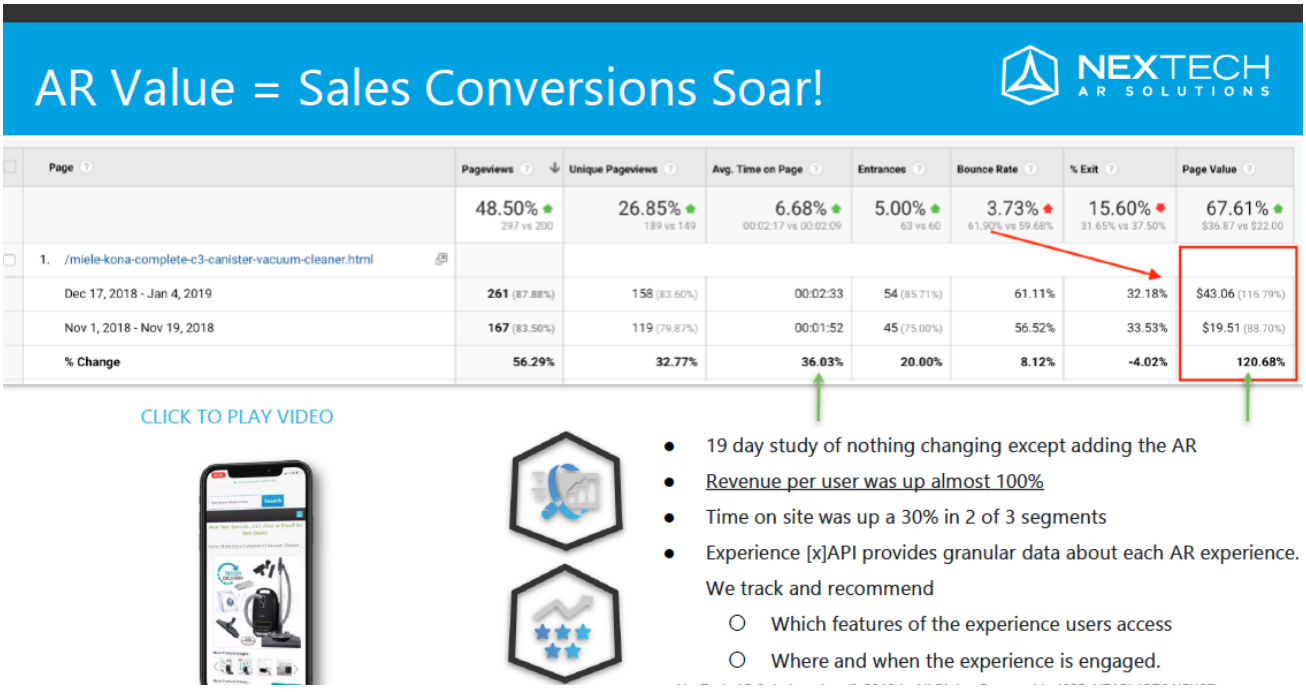
zoom technology to online retailers, with just a snippet of code that is used to quickly embed the 3D experience onto a site. The Hoot platform offers a seamless integration across all eCommerce platforms, including Amazon, Yahoo, Bigcommerce, Magento, Shopify, and Squarespace, with no coding required. Millions of online shoppers have used Hoot to engage with brands like Reef, Biltwell, JLab Audio, Chem and many more. Hoot's platform offers 360-degree photogrammetry, or the ability to turn a 2D image into a 3D object, that can be rotated for full product view. The Hoot platform has been proven to increase sales, decrease returns, and reduce customer support time. Hoot helps brands to bridge the gap between online shopping and an in-store experience by providing an interactive 360-degree approach on how a product looks or works.

On April 11, 2019 – NexTech AR Solutions bought **Infinite Pet Life**, for $1.85 million. Infinite Pet Life generated $2.2 million in revenue and $600,000 in EBITDA in 2018. Infinite Pet Life is a provider of anti-aging supplements for pets that promote better joint and gut health, for a healthier and happier animal. Infinite Pet Life has $32,000/month in recurring subscription revenue and sells through Amazon, Wal-Mart, and Chewy.com. In the next year the company plans to add six new products to its current offering of two and expects to grow rapidly based on this roll out.

Example of AR Boosting Sales

There is evidence that adding 3D augmented reality images to an eCommerce indeed can boost sales and provides a return on investment. According to ThreeKit, a private company in this space, using augmented reality improves conversion rates 40%, reduces returns 80%, increases average sales prices 20% and reduces order errors 40%

One of the reasons that NexTech has purchased eCommerce websites is to use them as laboratories to see what happens when augmented reality is added. The table below proved an example what actually happened when NexTech added 3D images of a vacuum cleaner, a well as the ability to show what the vacuum would look like in one's own house, to its web site VacuumCleanerMarket.com. For the Miele Kona C3 vacuum, page views went up almost 50% and revenue per user almost doubled.



Page	Pageviews	Unique Pageviews	Avg. Time on Page	Entrances	Bounce Rate	% Exit	Page Value
	48.50% 297 vs 200	26.85% 189 vs 149	6.68% 00:02:17 vs 00:02:09	5.00% 63 vs 60	3.73% 61.90% vs 59.68%	15.60% 31.65% vs 37.50%	67.61% $36.87 vs $22.00
1. /miele-kona-complete-c3-canister-vacuum-cleaner.html							
Dec 17, 2018 - Jan 4, 2019	261 (87.88%)	158 (83.60%)	00:02:33	54 (85.71%)	61.11%	32.18%	$43.06 (116.79%)
Nov 1, 2018 - Nov 19, 2018	167 (83.50%)	119 (79.87%)	00:01:52	45 (75.00%)	56.52%	33.53%	$19.51 (88.70%)
% Change	56.29%	32.77%	36.03%	20.00%	8.12%	-4.02%	120.68%

Source: NexTech AR

In addition, augmented reality has other economic advantages besides boosting sales. It can lead to lower returns. For example if you can take the image of a couch and put it in a picture of a room, the potential buy gets a much better sense of how it would look and that information can eliminate the need to send a product back.



Source: NexTech AR

AR University Launched in Q3 FY2019

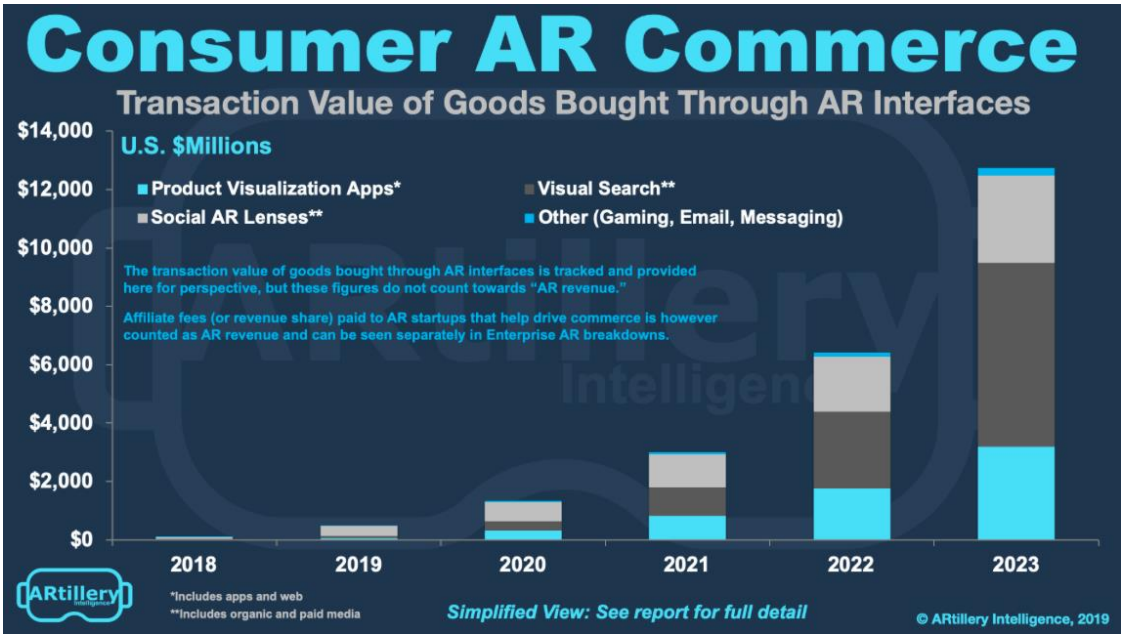
With the acquisition of edCetra, NexTech seeks to disrupt the $150B education and training market. It has just launched AR University with a number of companies including Challenger, Mr. Steak, Walther, and DTS Fitness Education— fitness educators that train the trainers. NexTech's unique on-demand AR University analyzes user searches to understand intent and environment, and then provides real time, adaptable AR content with a consistent experience across all types of content, devices and media. This technology gives home shoppers an immersive experience that highlights and explains product features and benefits in real time. It can be used for live product demos to help answer customer queries. It can also be used for training internally or remotely aid employees in troubleshooting.

INDUSTRY OUTLOOK

According to Gartner, by 2020, 100 million consumers will shop in Augmented Reality (AR) online and in-store. Gartner defines Augmented Reality as "the real-time use of information in the form of text, graphics, audio and other virtual enhancements integrated with real-world objects. This real world element differentiates AR from virtual reality. AR integrates and adds value to the user's interaction with the real world, versus a simulation." By using AR and VR, online stores can increasingly rival the purpose of physical stores at a lower cost. These technologies can give consumers more information converting lookers to buyers and they reduce the risk of returns, reducing seller costs. In a survey taken by Gartner last year, 46% of retailers said they planned to deploy either AR or VR solutions by 2020.

Much of the discussion of augment reality is focused on hardware, glasses, and goggles. While this is fine for gaming or specialized applications, it is not the focus of NexTech or a practical component of eCommerce

marketing. AR needs to integrated into current websites seamlessly in order to be practical via software and services. According to ARtillary Intelligence, the transaction volume of goods bought through or influenced by AR was only $14.2 million in 2018 but is expected to grow to $6.1 billion by 2022, and to $12.7 billion in 2023 as shown on the graph below. This is a compound annual growth rate of **289% per year**.



Source: ARtillary Intelligence

INDUSTRY POSITION

While there are a large number of companies involved in the augmented reality space, most of them are focused on developing platforms or games. All the large public technology companies are major players, particularly Google (GOOG), Apple (AAPL) and Microsoft (MSFT) are developing platforms or hardware for developers to implement AR. Niantic, for example, is a division of Google's Google Earth, and has built an AR platform for hardware. Microsoft offers Hololens, a headset that views holograms. Apple sells ARKit 3, Reality Composer, and RealityKit that let users build augmented reality experiences users on iOS. Other companies (all of which are private) in the space include: Blippar Inc. (advertising campaigns), Daqri LLC (workplace headset based solutions), Osterhout Design Group (smart glasses), Cyberglove Systems (motion capture data gloves), Wikitude (AR SDK and editor), and PTC (industrial AR).

NexTech however is initially competing with either in-house implementation by large retailers such as IKEA, or other service companies that use these and other platforms and products as well as their own, to add 3D images to web sites to enhance marketing results for eCommerce customers. It is expanding this service to education and entertainment verticals.

The three main competitors who provide software and services to eCommerce that NexTech encounters are:

ThreeKit - founded in 2005 in Chicago and originally provided software to create CGI effects for movies. It has morphed into a company that creates, edits, optimizes, and displays visual content for use on the web, in e-commerce, in AR and VR, at trade shows, with tutorials or assembly instructions. Its customers include Crate and Barrel, Steelcase, and CIROC. The employee count is now over 50. It raised $10 million in its seed round in January of this year.

Vertebrae - founded in 2015 in Santa Monica, CA and also has raised $10 million in a Series A round in September of 2016 when it launched the first native virtual reality (VR) advertising platform. It now provides a platform that enables seamless creation, management, hosting, and integration of web-based 3D & augmented reality on e-commerce sites. Vertebrae uses WebRX and can only support IOS. It employs approximately 30 people. The platform integrates with HTML5, BigCommerce, salesforce, Magento and Shopify. Vertebrae's customers include the LA Clippers, Crate and Barrel, Sony Pictures, Lionsgate, Amgen, and Tenth Street Hats.

Seek XR - founded in 2016 in Lehi, Utah. It has had only two small rounds raising $2 million, both in 2017. It launched its SeekView platform in September of last year and recently landed Overstock.com as a customer. Seek prices its services between $79 and $999 per month and uses WebRX so it can only support IOS and uses an SDK. Seek does not provide image capture services. We believe the company has about 20 employees.

One vertical market US-based augmented reality service provider is SpinCar. It focuses solely on the auto dealer vertical and provides dealers 3D images of their inventory. With its technology, auto dealers are able to deliver 360 degree virtual "walkarounds" of their vehicles, enabling them to bring the showroom experience directly to online consumers. The SpinCar platform enables auto dealers to get their vehicles online faster, understand consumer needs and interests at a much deeper level, engage more meaningfully with car shoppers, and generate personalized digital content that brings shoppers back to the dealership.

Europe also has a number of augmented reality service provider start-ups:

Augment was founded in 2011 and is headquartered in Paris with offices in New York and Orlando and less than 50 employees. It has raised $4.9 million and one of its investors is Salesforce Ventures. Augment is an augmented reality platform that allows users to visualize 3D models in real time and the real environment at scale. Augment provides a mobile app that letting businesses visualize their 3D models in Augmented Reality, integrated in real time in their actual size and environment. Augment helps retailers and manufacturers leverage augmented reality to increase engagement, sell more products, and reduce returns. The company does not provide image capture services.

VividWorks was founded in 2006 in Oulu Finland. In 2014 it raised $1.7 million and employees over 50 people. It offers innovative online 3D design-to-purchase SaaS platform solutions to the global market. It provides instantly accessible tools, which enable visual customization of products as a part of the purchase experience. Its customer base includes multiple major furniture manufacturers and retail chains.

Sayduck, based in Helsinki was founded in 2012 and has $1.5 million in funding and less than 50 employees. Sayduck is a 3D and Augmented Reality visualization platform. Our photorealistic 3D models show you exactly what products look like. Sayduck is transforming the way people furnish their homes. With the latest 3D and Augmented Reality technology, we put the products in customers' home. Sayduck's 3D technology captures what images are missing. Sayduck lets consumers feel like they have the product in front of them, as if they could almost touch it. Sayduck is also a powerful tool for brands, allowing them to be closer to consumers and create a strong connection with them. Consumers can immediately understand what the brand is producing and how it fits in their environment. Sayduck allows customers to showcase five products free, 100 for $99 a month and 250 for $299 a month and other custom plans.

FINANCIALS

NexTech AR was incorporated in January of 2018 and had its IPO in October of 2018, but just began to generate meaningful revenue in its quarter ending February 28th. As the result of its acquisition of VacuumCleanerMarket.com in January 2019, as almost all of the February quarter revenues were from that

site. On April 11th the company bought Infinite Pet Life. In the May quarter revenues reflect a full quarter of VacuumCleanerMart.com revenues and a half quarter of Infinite Pet Life. These generated all but $34,000 of revenues of the $1.4 million in revenues for the May quarter. With a full quarter of Infinite Pet Life, revenues may have been $300,000 higher.

The AR SaaS business is still in its beginning stages. It is providing proof of concept and building custom solutions for a large number of companies. So far almost all revenues have been just for testing but we expect customers to begin rolling out onto their web sites and apps this fall.

For the calendar year 2019 the company has stated it expects to reach US$5 million in revenues (or $6.7 million Canadian) and its goal is US$15 million (or $20 million Canadian) the year after. The gross margin target for 2020 is between 60-70%.

Balance Sheet

NexTech ended the May quarter with $330,000 in cash and no debt. It raised $1.2 million in the quarter. 2,329,200 warrants were exercised at $0.50 per warrant for total proceeds of $1,164,600, 735,000 stock options were granted to consultants at a price of $0.60 per option, and 150,000 options were granted at a price of $0.78 per option. The company had negative free cash flow of $1.3 million before payments for Infinite Pet Life and HootView and a negative $3.1 million after the cash payments due on those acquisitions in the quarter. NexTech acquired Infinite Pet Life on April 10, 2019 for $1.85 million. NexTech paid $1.2 million at closing and will make six monthly payments of $125,000 to complete the purchase of the business and to acquire the inventory. In the May quarter, another $375,000 was paid.

Since the quarter ended, it raised$2.8 million in private placements. It issued 2,942,964 units at a price of $0.60 per unit for gross proceeds of **$1,765,779**. The units sold consisted of one common share and one-half of one common share purchase warrant. Each whole warrant allows the holder to purchase an additional share at a price of $0.70 per share for a period of 24 months. NexTech AR also issued **$985,500** of convertible debentures for cash with an interest rate of 9% per annum, convertible into common shares at $0.60 per share and maturing 36 months from the date of issuance, with interest payable every six months from the issue date.

Company expects to be cash flow positive in the fourth quarter of calendar year 2019, so we expect little to no dilution from this point forward unless the company choses to raise money to fund future acquisitions.

FORECASTS

Q4 was an unusual quarter for NexTech AR as it revamped its vacuum business and added Pet Life. As such it is difficult to take Q4 expenses and extrapolate them out. The company says newly restructured, it is burning about $200,000 a month in cash and has taken action to reduce that until it can hit break even in calendar Q4 2019. We have modeled out a scenario where that can happen, but it is up to the company to control spending to achieve that. Certainly a new and full time CFO should help facilitate that. The plan going forward it to take the vacuum business, which now depends solely on the Miele brand and add higher margin supplies and accessories. After this Christmas it plans to add additional brands such as SEBO to scale the business. It gets two thirds of its sales through Amazon so it is focusing on being the best distributor through Amazon for vacuums and parts. The pet business is going from two products to eight and it also expects to grow rapidly. For FY 2020 we are using $8.3 million in sales and expecting a decrease in expenses resulting in a loss of $2.2 million for the year or $0.04 per share. We are not factoring in any acquisitions, although we expect that management is actively looking for eCommerce businesses to buy.

Although is it hard to predict what to expect in FY 2021 we are conservatively starting with a $14.4 million revenue estimate (up 74%) and a slightly profitable business. The company expects to report the August 31st quarter by November 1st, at which time we will see how much progress has been made on the business model.

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 should show. We have taken a group of companies involved in augmented reality and looked at their valuations. This group has an average enterprise value to sales of 6.9 times 2019 estimated calendar sales and 3.3 times 2020.

Using a conservative $12 million in US dollars for calendar year 2020 sales and its current share count of 56.3 million we reach a comparable value of $1.50 per share in US dollars, almost triple its current price.

Company	Ticker	Calendar Revenue 2020E	Calendar Revenue 2019E	LTM	EBIDTA Margin	Enterprise Value / Sales 2020E	2019E	LTM	Included in Average?	Enterprise Value
Kopin	KOPN	40	29	28	-118%	0.7	1.0	1.0	n	27
Microvision	MVIS	44	7	17	-162%	1.5	9.2	3.9	y	65
OneMarket	OMN.AX	NA	NA	11	-651%	NA	NA	7.7	y	88
Snap	SNAP	2,280	1,700	1,400	-73%	8.3	11.1	13.5	y	18,900
WiMi Hologram Cloud	WIMI	NA	NA	37	-56%	NA	NA	NA	n	
Vusix	VUZI	20	10	7	-263%	3.5	7.5	9.6	y	72
Average					-287.1%	3.3	6.9	8.7		4,781

WiMi Hologram Cloud is a Beijing-based company that offers hologram and AR based advertising services and has recently filed for a $50 million IPO. This is the closest comparable to NexTech and it will be interesting to see where it is priced. In the last twelve month the company generated $37.1 million in revenues and is highly profitable. Its Q1 revenues grew 59% and it claims to be the biggest in China at what it does.

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.
- NexTech depends 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.

MANAGEMENT

Evan Gappelberg
CEO

Evan is an accomplished entrepreneur with an expertise in creating, funding, and running start-ups, and he has extensive experience both as a hands-on operating executive and well as a public markets professional. From 2000 to 2005, Evan was the co- founder and CEO of EG Products, where he funded, patented, imported, and distributed the market's first LED light-up toy. He secured license deals from Disney, Universal Studios, Clear Channel Communications, and built a national sales channel, landing contracts with Walgreens, Macy's, and live event shows like Ringling Bros. He was also was co-founder and CEO of an app development company which created and published over 200 successful apps for both Apple's iTunes store and the Google Play store. Prior to being a successful entrepreneur, Evan worked on Wall Street and has more than 20 years of extensive experience as both a hedge fund manager, and Senior VP of Finance. Recently, he brought in seed investors to Future Farm, helped expand its market capitalization from approximately $2 million in 2016 to over $48 million when he exited in 2018.

Paul Duffy
President

Paul is the creator of the HumaGram and inventor of the patent for Holographic Telepresence over the Internet (TOIP.) He is a serial entrepreneur with over 25 years of experience in successfully starting, expanding, diversifying and selling global technology companies. Paul co-founded Corporate Communications Interactive (CCI) in 1992 and grew it to one of the largest online learning and communication companies in North America. It had clients such as AT&T, GE, IBM, Microsoft, Pearson Education, and Manulife Financial, and was sold to SkillPath Seminars in 2003. Paul is also a former member of the Board of Governors for the Michener Institute for Applied Health Sciences, and earned a BS in Applied Computer Science from Ryerson University.

Kashif Malik
CFO

Kashif was announced as the company's CFO today. He has over a decade of experience leading and scaling the financial, commercial, and business operations of growth-oriented, global SaaS businesses. Prior to joining NexTech, he worked consulting various SaaS organizations, and was VP of Finance and a board member at Leonardo, where he was instrumental in the sale of Leonardo to a public company for over 10X EBITDA. Before Leonardo, he worked at Real Matters (TSX: REAL) where he was involved in three major financings to fund four acquisitions and completed an IPO on the TSX with a valuation in excess of $1 Billion. Kashif worked for Merck in Bermuda leading the transition of their operations to different international locations from 2011 to 2013. Kashif began his professional career working at Deloitte from 2006 to 2011 and specialized in technology and public entities. He earned a Bachelor of Commerce from the University of Ottawa and is a CPA and a Chartered Accountant in Canada.

Scott Jenkins
CTO

Scott has been NexTech AR's CTO since October 2017. Since 2012 he has also been the Chief Creative and Technical Consultant at Reverb Communications. He has extensive experience in the gaming world, including stints at Acclaim Studios, SouthPeak Games, and Rain Digital Games. He earned a BS in Biomedical Engineering at SUNY in 1987.

BOARD OF DIRECTORS

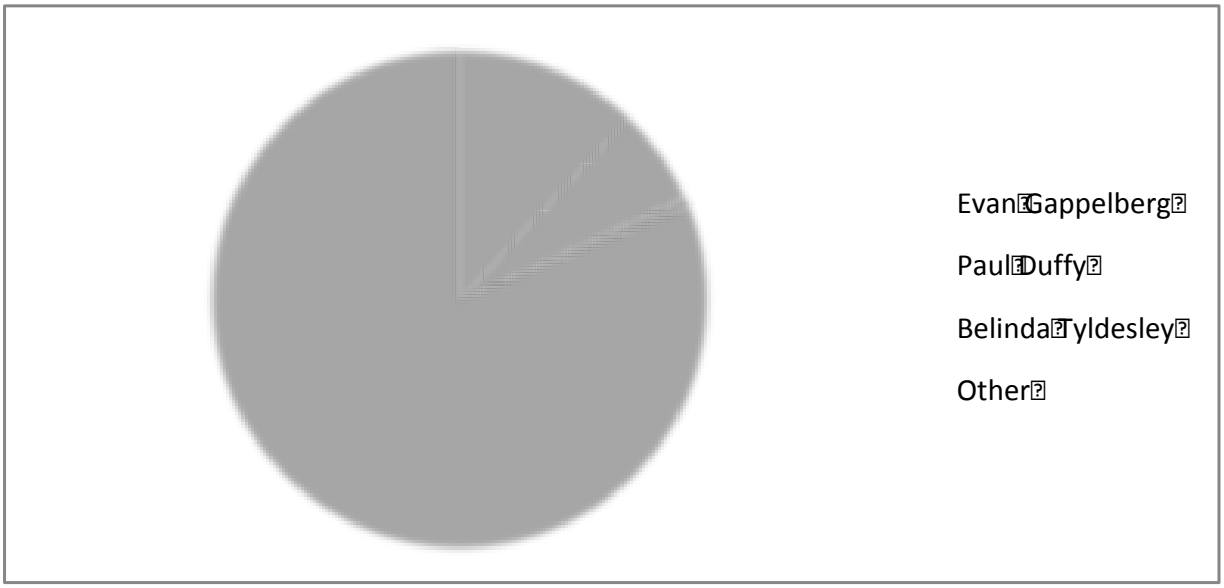
Evan Gappelberg
CEO

Paul Duffy
President

Belinda Tyldesley

Belinda has more than 15 years' experience as a paralegal with law firms in Melbourne, London, and Vancouver, which has helped her to gain an in-depth understanding of the dynamics of dealing with various regulatory and legal bodies. She has worked with numerous public companies trading on the TSX, TSX-V, and CSE in the resource and technology sectors. Her services include corporate secretarial, governance and regulatory compliance services, overseeing capital pool companies' qualifying transactions, IPOs, and diverse transactions in corporate environments. Belinda earned an associate diploma in Business Legal Practice from Holmesglen College in Melbourne, Australia.

OWNERSHIP



PROJECTED INCOME STATEMENT

In Canadian Dollars	Jan 12, 2018-Feb 28, 2018	Q4 May 31, 2018	Q1 Aug 31, 2018	Q2 Nov 30, 2018	Q3 Feb 28, 2019	Q4 May 31, 2019	Q1 Aug 31, 2019E	Q2 Nov 30, 2019E	Q3 Feb 28, 2020E	Q4 May 31, 2020E	Jan 12, 2018-May 31, 2018	FY 2019	FY 2020E	FY 2020E
E-commerce	$0	$0	$0	$0	$508,000	$1,371,530	$1,450,000	$2,200,000	$2,300,000	$2,000,000	-	$1,879,530	$7,950,000	$13,515,000
A/R and other	0	24,947	22,544	43,132	23,185	33,974	50,000	75,000	80,000	100,000	24,947	122,835	305,000	915,000
Net Revenue	**$0**	**$24,947**	**$22,544**	**$43,132**	**$531,185**	**$1,405,504**	**$1,500,000**	**$2,275,000**	**$2,380,000**	**$2,100,000**	**$24,947**	**$2,002,365**	**$8,255,000**	**$14,430,000**
Yr-to-Yr Growth	NA	NA	NA	NA	NA	5534%	6554%	5175%	348%	49%	NM	NM	312.3%	74.8%
Cost of goods	-	10,621	12,738	-	322,435	1,083,185	900,000	1,251,250	1,142,400	945,000	10,621	1,418,358	4,238,650	7,215,000
Gross margin	-	14,326	9,806	43,132	208,750	322,319	600,000	1,023,750	1,237,600	1,155,000	14,326	584,007	4,016,350	7,215,000
Percent of revenues	0.0%	57.4%	43.5%	100.0%	39.3%	22.9%	40.0%	45.0%	52.0%	55.0%	57.4%	29.2%	48.7%	50.0%
Accretion expense	1,803	10,545	10,991	7,655	-	2,405	2,400	-	-	-	12,348	21,051	2,400	-
Admin fees and office costs	5,266	46,007	86,950	113,121	144,283	345,998	200,000	200,000	200,000	200,000	51,273	690,352	800,000	1,000,000
Advertising and marketing	-	-	-	-	-	259,676	150,000	150,000	150,000	150,000	-	259,676	600,000	600,000
Amortization	-	13,889	24,377	28,382	23,069	48,511	50,000	50,000	50,000	50,000	13,889	124,339	200,000	200,000
Business development	-	-	2,398	21,120	-	-	-	-	-	-	-	23,518	-	-
Consulting fees	38,999	181,056	239,156	273,457	293,669	774,558	320,000	320,000	300,000	300,000	220,055	1,580,840	1,240,000	1,200,000
Depreciation	-	548	-	-	-	27,944	30,000	30,000	30,000	30,000	548	27,944	120,000	120,000
Foreign exchange (gain) loss	(10,900)	(14,636)	-	(32,332)	(44,436)	(32,646)	-	-	-	-	(25,536)	(109,414)	-	-
Impairment of intangible assets	-	-	-	-	194,444	-	-	-	-	-	-	194,444	-	-
Investor relations	8,398	43,695	17,097	59,140	306,971	164,651	100,000	100,000	100,000	100,000	52,093	547,859	400,000	300,000
Management fees	12,563	38,367	104,085	88,770	103,322	56,255	60,000	60,000	60,000	60,000	50,930	352,432	240,000	200,000
Payroll and benefits	-	-	-	-	-	160,236	175,000	180,000	180,000	185,000	-	160,236	720,000	800,000
Professional fees	-	54,392	81,700	36,835	65,512	141,498	70,000	70,000	70,000	70,000	54,392	325,545	280,000	200,000
Sales and marketing	-	-	-	-	-	59,863	60,000	80,000	85,000	90,000	-	59,863	315,000	360,000
Share-based payments	370,125	-	-	96,390	370,549	283,943	300,000	200,000	220,000	220,000	370,125	750,882	940,000	880,000
Transfer agent & regulatory fees	-	-	-	18,203	17,798	24,299	25,000	26,000	27,000	28,000	-	60,300	106,000	112,000
Travel	2,397	37,878	45,621	47,174	61,895	42,970	40,000	60,000	65,000	70,000	40,275	197,660	235,000	250,000
Total operating expenses	428,651	411,741	612,375	757,915	1,537,076	2,360,161	1,582,400	1,526,000	1,537,000	1,553,000	840,392	5,267,527	6,198,400	6,222,000
Operating income	(428,651)	(397,415)	(602,569)	(714,783)	(1,328,326)	(2,037,842)	(982,400)	(502,250)	(299,400)	(398,000)	(826,066)	(4,683,520)	(2,182,050)	993,000
Operating margin	NA	-1593.0%	-2672.9%	-1657.2%	-250.1%	-145.0%	-65.5%	-22.1%	-12.6%	-19.0%	-3311%	-234%	-26.4%	6.9%
Deferred income tax recovery	-	-	-	-	-	15,971	-	-	-	-	-	15,971	-	-
NET INCOME	(428,651)	(397,415)	(602,569)	(714,783)	(1,328,326)	(2,021,871)	(982,400)	(502,250)	(299,400)	(398,000)	(826,066)	(4,667,549)	(2,182,050)	993,000
Currency translation adjustment	0	-	(3,545)	573	33,467	(22,808)	-	-	-	-	-	7,687	-	-
Total other income	0	-	(3,545)	573	33,467	(22,808)	-	-	-	-	-	7,687	-	-
Comprehensive Income	(428,651)	(397,415)	(599,024)	(715,356)	(1,361,793)	(2,015,034)	(982,400)	(502,250)	(299,400)	(398,000)	(826,066)	(4,659,862)	(2,182,050)	993,000
Net loss per share	**$ (0.06)**	**$ (0.02)**	**$ (0.02)**	**$ (0.02)**	**$ (0.03)**	**$ (0.04)**	**$ (0.02)**	**$ (0.01)**	**$ (0.01)**	**$ (0.01)**	**$ (0.04)**	**$ (0.11)**	**$ (0.04)**	**$ 0.02**
Non-GAAP loss per share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.02)	$ (0.08)	$ (0.02)	$ 0.03
Shares outstanding	7,710,938	18,000,000	37,537,872	39,139,213	47,336,099	53,750,000	56,600,000	56,600,000	56,600,000	56,600,000	22,081,328	44,443,149	56,600,000	57,000,000
Yr-to-Yr Growth	NA	NA	NA	NA	514%	199%	51%	45%	20%	5%	NA	101%	27%	1%
Fully diluted shares	28,110,938		53,737,872	55,339,213	67,736,099	55,250,000	58,100,000	58,100,000	58,100,000	58,100,000	NA	45,943,149	58,100,000	58,100,000
EBITDA	(58,526)	(382,978)	(578,192)	(590,011)	(740,264)	(1,677,444)	(602,400)	(222,250)	600	(98,000)	(441,504)	(3,585,911)	(922,050)	2,193,000

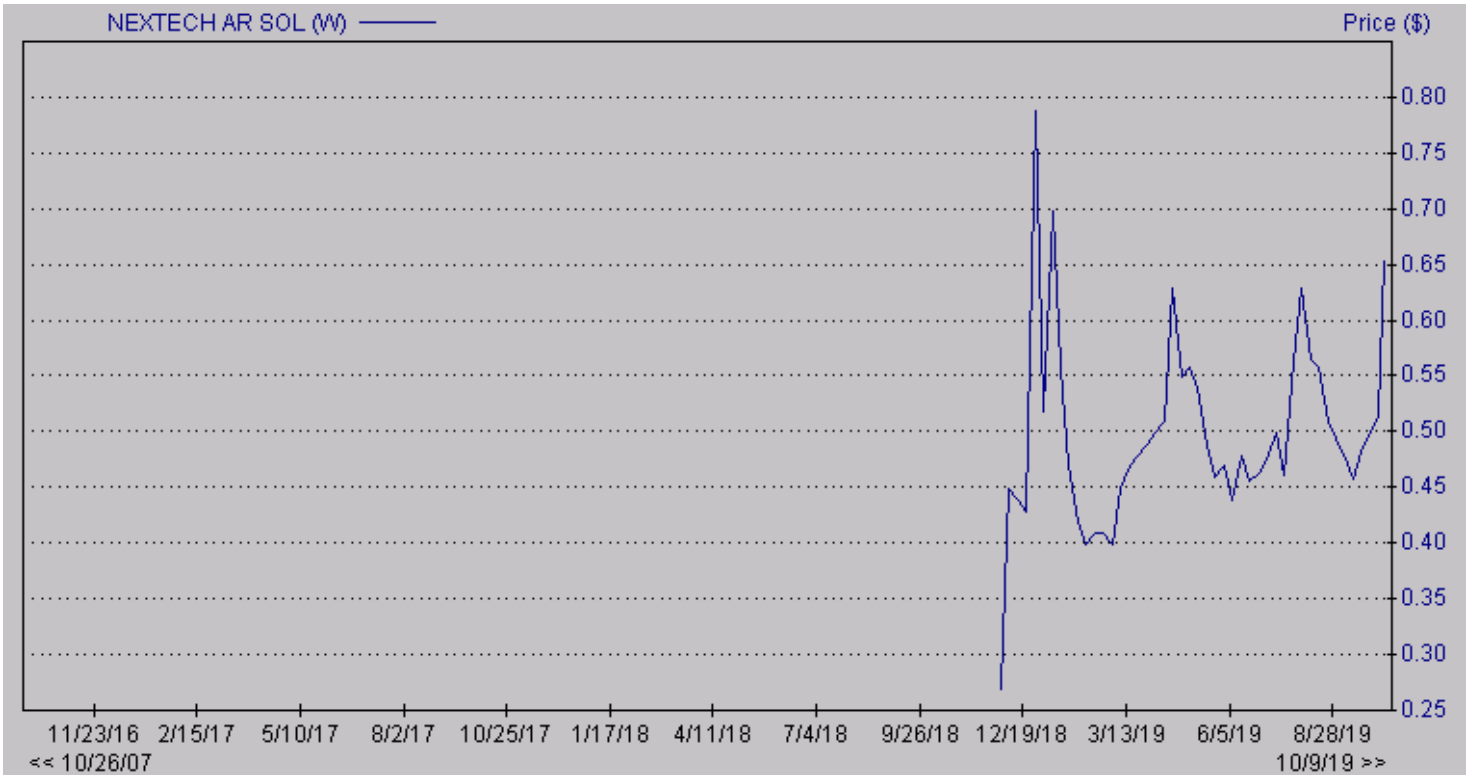
BALANCE SHEET

	May 31, 2019	Feb 28, 2018	Qtr-Qtr % Change	May 31, 2018	Yr-Yr % Change
Assets:					
Cash and cash equivalents	**$ 329,678**	**$ 2,355,385**	-86%	**$ 2,523,717**	-87%
Accounts receivable	421,274	180,848	133%	14,325	2841%
Prepaid expenses	178,715	91,440	95%	62,444	186%
Inventory	579,857	445,079	30%	0	NM
Total current assets	1,509,524	3,072,752	-51%	2,600,486	-42%
Equipment	149,879	146,622	2%	41,364	262%
Intangible assets	6,188,060	4,364,761	42%	2,329,861	166%
Total Assets	7,847,463	7,584,135	3%	4,971,711	58%
Current Liabilities:					
Accounts payable & accrued liabilities	747,479	503,605	48%	160,031	367%
Other payables	772,078	0	NA	0	NA
Convertible debentures	0	**0**	0%	218,024	-100%
Total current liabilities	1,519,557	503,605	202%	378,055	302%
Deferred income tax liability	193,435	309,767	-38%	0	NM
Total Liabilities	1,712,992	503,605	240%	378,055	353%
Stockholders' Equity					
Common Stock	10,551,142	9,804,917	8%	5,375,398	96%
Equity portion of convertible debentures	0	0	0%	44,324	-100%
Cummulative translation adjustment	7,687	0	0%	0	NM
Reserves	1,069,257	434,045	146%	0	NM
Deficit	(5,493,615)	(3,468,199)	58%	(826,066)	565%
Total Stockholders' Equity	6,134,471	6,770,763	-9%	4,593,656	34%
Total Liabilities and Stockholders' Equity	7,847,463	7,584,135	3%	4,971,711	58%
Current ratios	1.0	6.1	-84%	6.9	-86%
Quick ratio	0.6	5.2	-88%	6.9	-91%
Cash as % of assets	4%	31%	-86%	51%	-92%
Working Capital	(10,033)	2,569,147	-100%	2,222,431	-100%
Debt	0	0	0%	0	0%
Debt/Total Assets	0%	0%	0%	0%	0%

CASH FLOW

	Beginning to May 29, 2018	3 Months Ending Aug 31, 2018	3 Months Ending Nov 30, 2018	3 Months Ending Feb 28, 2019	3 Months Ending May 29, 2019	Year Ending May 29, 2019
Net Income	$ (826,066)	$ (599,024)	$ (714,783)	$ (1,328,326)	$ (2,025,416)	$ (4,667,549)
Adjustments to reconcile net loss to net cash used in operating activities:						
Amortization	13,889	24,377	28,382	23,069	48,511	124,339
Accretion expense	12,348	10,991	7,655	0	2,405	21,051
Consulting fees	0	60,000	60,000	60,000	(180,000)	0
Deferred income tax recovery	0	0	0	0	(15,197)	(15,197)
Depreciation	548	0	0	0	27,944	27,944
Share based payments	370,125	0	96,390	370,549	363,943	830,882
Write-off of intangible asset	0	0	0	194,444	-	194,444
Currency translation adjustment	0	0	573	(26,691)	26,118	0
Changes in assets and liabilities:						
Receivables	(14,325)	(37,553)	(17,037)	(46,092)	(240,426)	(341,108)
Prepaid expenses	(62,444)	(21,224)	(28,549)	27,607	(93,242)	(115,408)
Inventory	0	0	0	(45,456)	(26,333)	(71,789)
Accounts payable and accrued liabilities	221,281	229,495	(170,690)	(72,444)	475,144	461,505
Net Cash Used In Operating Activities	(284,644)	(332,938)	(738,059)	(843,340)	(1,636,549)	(3,550,886)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Cash acquired on a business combination	0	0	0	125,532	3,138	128,670
Purchase of equipment	(41,912)	(89,582)	(37,221)	11,823	(12,144)	(127,124)
Purchase of intangibles	0	(80,586)	(101,796)	(316,690)	499,072	0
Acquisition of Infinite Pet Life	0	0	0	0	(1,760,294)	(1,760,294)
Acquisition of HootView	0	0	0	0	(85,664)	(85,664)
Net Cash Used In Investing Activities	(41,912)	(170,168)	(139,017)	(179,335)	(1,355,892)	(1,844,412)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Convertible debenture	250,000	0	0	0	0	0
Capital contribution	0	0	318,375	0	(212,037)	106,338
Proceeds from the issue of shares	2,600,273	0	0	1,916,150	1,164,600	3,080,750
Net Cash Provided By Financing Activities	2,850,273	0	318,375	1,916,150	952,563	3,187,088
Foreign exchange	0	0	0	0	14,171	14,171
Net Increase in Cash	2,523,717	(503,106)	(558,701)	893,475	(2,025,707)	(2,194,039)
Cash - Beginning of Period	0	2,523,717	2,020,611	1,461,910	2,355,385	2,523,717
Cash - End of Period	2,523,717	2,020,611	1,461,910	2,355,385	329,678	329,678
Cash Paid During the Period for:						
Income taxes	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Operating cash flow	(429,156)	(503,656)	(521,783)	(706,955)	(1,751,692)	(3,484,086)
Free cash flow	(471,068)	(673,824)	(660,800)	(1,011,822)	(1,264,764)	(3,611,210)

HISTORICAL STOCK PRICE



Source: Zacks Investment Research

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