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Zacks Small-Cap Research

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Peak Fintech Group (OTCQX: PKKFF)

PKKFF: Operator of a Rapidly Growing B2B Fintech Lending Platform in China

Compared to its peers in the fintech space who trade at an average of 13.8 times enterprise value to 2020 estimated sales we believe Peak is worth US$3.80 per share.

Current Price (11/06/20)	US$1.16
Valuation	**US$3.80**

OUTLOOK

Peak Fintech Group operates a B2B lending platform for micro and small and medium size (SMBs) businesses in China. It earns a fee for matching lenders and borrowers. It grew revenues 293% in the first half of 2020 and is on track for $40 million in sales this year. It is landing deals with cities and distributors to facilitate commercial loans to their constituents and customers. Its recently announced joint venture will have the opportunity to market inventory financing loans to its partners' 60,000 customers who buy $50B in product each year. Peak earns a fee of between 1-4% of the value of each loan it facilitates.

SUMMARY DATA

52-Week High	**US$1.16**
52-Week Low	**US$0.26**
One-Year Return (%)	**200**
Beta	**N/A**
Average Daily Volume (sh)	**198,589**
Shares Outstanding (mil)	**100**
Market Capitalization (US$m)	**116**
Short Interest Ratio (days)	**0.3**
Institutional Ownership (%)	**0.0**
Insider Ownership (%)	**20.0**
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/A**
P/E using 2020 Estimate	**N/M**
P/E using 2021 Estimate	**37.4**

Risk Level	**High**
Type of Stock	**Small Growth**
Industry	**Technology Services**

ZACKS ESTIMATES

Revenue
(in millions of Canadian$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	0.0 A	0.2 A	0.7 A	0.7 A	1.7 A
2019	0.9 A	1.9 A	4.5 A	4.4 A	11.7 A
2020	3.9 A	7.3 A	11.0 E	18.0 E	40.0 E
2021					80.0 E

Comprehensive Earnings Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018					
2019	-0.010 A	-0.007 A	-0.014 A	-0.008 A	-0.014 A
2020	-0.012 A	-0.010 A	-0.008 E	0.008 E	0.003 E
2021					0.040 E

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KEY POINTS

- Peak Fintech Group operates a lending platform in China that matches lending institutions and borrowers and earns a fee of between one and four percent of the value of those loans. It targets primarily small and micro businesses. Much of what it does involves financing inventory and as a result it has great visibility, in some cases going out months, and lots of repeat business.

- Since its launch in 2018, it has grown to a $29 million revenue run rate and expects to reach $40 million in annual revenues this year. We expect it to have its first profitable quarter this coming December although it has been adjusted EBITDA positive since Q2 2019.

- It recently closed a deal to create a joint venture with a large Chinese electronics wholesale distributor (Beijing Dianjing Company aka BDC) to use its platform to match lenders to its retail customers for funding their inventory purchases. This venture, which would be majority owned by Peak, has an addressable market of 60,000 online retail seller who could generate between $450 million and $1.35 billion in fees to Peak if they were to borrow the maximum possible. We expect the platform to be able to start to facilitate loans for these customers by year-end.

- Despite the pandemic, Peak reported revenue growth of 293% for the first half of 2020 and cut its losses to common shareholders by $422,000. Its adjusted EBITDA for the first half was $348,000 compared with $318,000 a year ago. It is targeting $40 million in revenues and $4 million in EBITDA for the 2020 year.

- Compared to its fintech peers who trade at an average of 13.8 times enterprise value to 2020 estimated revenues, Peak is currently trading at only 5.4 times using fully diluted shares. With a longer track record and more visibility we believe Peak will be able to trade closer to its peers and given its growth should be a much more valuable company next year.

OVERVIEW

Peak Fintech Group is a company headquartered in Montreal, but operating in the People's Republic of China. On November 8th it officially changed its name from Peak Positioning Technologies to "Peak Fintech Group." It was founded in 2011, pivoted to its current business in 2017, and launched its platform solution in 2018 in the city of Wuxi. It is a fintech business that matches micro, small, and medium businesses with lending institutions and collects a fee for completed transactions. It also has an $18 million loan portfolio, secured by the borrowers' vehicles, that it funded just for proof of concept in order to jumpstart its operations. It owns 51% of that loan business which is consolidated on its financial statements.

Peak's platform now has lending products from 54 different banks and lending institutions and operates in seven cities: Wuxi, Jiangyin, Xi'an, Changzhou, Suzhou, Nanjing, and Shanghai. Peak plans to expand into the cities of Xuzhou, Lanzhou, Qingdao, Huzhou, Taiyuan, Hangzhou, and Beijing by year-end. Today its commercial lending platform has 53,000 loan broker reps, 24,000 registered SMEs and has to date successfully matched loans valued at ¥1.3 billion (about $260 million). Although it's rapidly closing the gap with the west, China can still be considered somewhat of a newcomer to fintech and Peak believes it is one of the first companies to launch such a lending platform in the country. In China, small business loans are typically sourced locally, are difficult to obtain and the industry is very fragmented. There are two major reasons why small businesses have a tough time obtaining loans. The first reason is that the lending institutions have difficulty obtaining the information they need about the small businesses to properly assess the credit risk they represent. The second reason is that the lending institutions all have their own lending criteria, which often don't match with the small businesses that approach them for loan. Peak has signed up a variety of lenders all with varying criteria for making loans and through the platform gathers all of the data

on the small businesses that lending institutions need to properly assess the credit of lending to the businesses. The platform then matches the compatible lenders and borrowers based on the business data and lending criteria resulting in loan transactions for which Peak charges a fee. The business is B2B. Consumers cannot provide funds on the platform as with Lending Club or Prosper; all the lenders are banks or financial institutions. Peak charges a fee per loan that is 1-4% of the loan amount depending on size and type of loan. Borrowers access Peak's systems and enter their information and give Peak permission to access other types of data such as bank records. Peak then collects the permitted private data along with other public and private sources and matches the borrower with lenders that would make the loan based on the information gleaned. Using Peak's prescreened information a lender can evaluate loans in minutes, reduces the lenders efforts in analysis as well as in sales and marketing to find the borrower. It also can process payments and pay the loan broker his commission. The company has two initiatives that could catapult sales:

Financial Centers

The company is teaming up with municipalities to create commercial lending "financial centers" where the cities' banks and lending institutions use the platform to foster business and lending activity in the cities. The company just signed its second city and we expect others to follow.

Jiangyng

The first city, signed in September, is Jiangyng who created a commercial lending financial center to foster business in the city. This center is comprised of 30 banks, eight insurance companies, and three investment funds. Peak is providing its Lending Hub platform to link the city's more than 200,000 micro, small, and medium-sized businesses to loan and credit offers from these banks. Peak earns a service fee ranging from 1% to 2.5% of all loans granted through the Financial Center. Jiangyng was familiar with Peak, as it had used Peak's Lending Hub to help qualify and distribute government financial aid to the city's COVID-19 affected businesses. All the banks are already signed on and Peak expects revenues generated from this center to grow steadily over the next few quarters.

Nanjing

On October 23, 2020 Peak announced it had won a bid from the city of Nanjing to provide the platform for its lending financial center. Similar to the Jiangyin Financial Center, its objective will be to make loans and credit more accessible to the city's 620,000+ small and medium sized businesses, particularly those involved in the supply chain. Peak is particularly pleased as it won this deal through open bidding against 42 other tech companies throughout Jiangsu province. It was told it won because of its platform's user-friendly interfaces and its on-going credit risk evaluation and monitoring capabilities. Peak has since signed an official agreement with the city and the project is underway.

Supply Chain Funding

In the same vein as the financial centers, Peak is using the wholesale distribution vertical as a means to accelerate the expansion of its services. Here it targets large distributors who can offer financing solutions to their own customers via Peak's platform. The idea is to match retailers to lenders specifically to supply inventory financing for goods bought from that distributor. The retailer and wholesaler each contribute data to help lenders make quick and efficient decisions on loans. In addition to financing their inventory POs, these new retail customers are also eligible for other types of loans offered by the lenders on Peak's platform.

Joint Venture with Beijing Dianjing Company Ltd.

A large joint venture deal was finalized with Beijing Dianjing Company (BDC) on October 20th. Although the details had not yet been made public as of the date of this report, it is expected to be up and running and begin operations by year-end. Peak will be the majority owner of this joint venture. BDC is a large wholesale

electronics distributor. The joint venture will use Peak's platform to facilitate inventory financing to BDC's 60,000 online retail customers who buy $50 billion worth of goods from BDC each year. The customers will be able to finance up to 90% of their inventory purchased from BDC through the platform, and the JV will collect between 1% and 3% of the value of the loan as a fee from the lenders. Hypothetically the potential revenues to the joint venture could be between $450 million at 1% and $1.35 billion at 3%. Even if only 5% of sales were financed at the lower 1% that could be $23 million in revenues to the JV.

As all these customers sell online, the JV also plans to offer fulfillment and shipping to these customers for an additional cost. The two partners plan to use a third party, Wuxi Industry Development Group (WIDG), to execute the fulfillment services. For the turnkey solution, financing, storage, fulfillment and shipping the joint venture expects to charge 12%-14% of the value of the sale with WIDG earnings 8%-10% and the JV keeping the rest. Peak is working to integrate its platform with both BDC and WIDG and expects to begin generating revenues by year-end. Both partners will contribute capital and the JV will have its own staff.

Legacy Loan Portfolio

Since the launch of its platform, Peak has been making loans to small and micro businesses primarily as a way to prove its model to potential platform users. It has an $18 million portfolio with funds it has reinvested to keep that amount steady. The loan business is only 51% owned by Peak and it consists of loans made to small and micro businesses that are, for the most part, collateralized by vehicles. Since the beginning of the pandemic its loan quality has deteriorated significantly as businesses were shut down. While business has mostly returned to normal in China, we are keeping an eye on these loans. Since Q1 2019, the percent of loans that haven't paid on time ballooned from 1.4% to 29.8% by the end of June. The company has been taking reserves for these delinquent loans and as a 51% holder of these loans is ultimately responsible for only half of any potential losses. The plan is to reduce this number and get closer to December 31, 2019 percentages. The company expects the COVID-19 effect on the borrowers' finances to eventually dissipate and that loan repayment habits will return to normal. $1,125,881 of the overdue loans are over 180 days, making that 6% of total loans and 20% of the non-current loans.

Gross Loans Receivable

	3/31/19	6/30/19	9/30/19	12/31/19	3/31/20	6/30/20
Current	21,574,191	20,497,483	19,213,416	17,509,277	13,025,226	13,101,465
Non-Current	316,323	1,122,179	1,638,847	2,280,306	4,966,696	5,566,697
Total	21,890,514	21,619,662	20,852,263	19,789,583	17,991,922	18,668,162
% Non-current	1.4%	5.2%	7.9%	11.5%	27.6%	29.8%

The average loan balance in Q2 2020 was $121,366 and was 16.3% lower than the average loan balance in Q2 2019 following a market slow down from the COVID-19 pandemic. The loans yielded an effective average annual interest rate of 15.5% in the second quarter of 2020, compared to 17.3% for the same period last year. Loan mix type resulted in a lower average interest rate in Q2 2020 compared to the same period in 2019. The average maturity was 16.4 months during the quarter ended June 30, 2020, compared to 16.1 months for the same period in 2019.

In concert with the delayed Ant Group IPO, the Chinese government is proposing rule changes to micro lending requirements for lenders and borrowers. Once the new rules are decided, the entities will have 12 months to comply. While we do not know if this will affect Peak's lending entity we believe the worst-case scenario is it would just sell its ownership in the lender as it is no longer a necessary part of the business.

INDUSTRY OUTLOOK

The total assets of the Chinese banking system were RMB285 trillion, or $40.6 trillion, in 2019. While the economy has slowed in China this year from GDP growth of 6.1% in 2019 due to the pandemic, loan growth, which still has pent up demand, continues to grow rapidly. Specifically the market in China for loans to small and medium business that are under RMB500,000 (US$75,000) was RMB6 trillion in 2019 and expected to grow to RMB26 trillion in 2025, growing at a CAGR 27.2%, according to research firm Oliver Wyman. The research firm even breaks down the market further by analyzing what portion of the market are from loans transacted online rather than the traditional face to face. **The online SMB credit market for these small loans** is estimated to grow at a **CAGR of 40.8%** from RMB2 trillion in 2019 to RMB16 trillion by 2025. Chinese SMBs seem credit starved as they provide 60% of GDP but only 32% of corporate loans fueling much of the growth.

COMPETITION

There are over 100 million small and micro businesses in China. They typically go to lending aid companies (loan brokerage companies) who charge them a fee to help them get loans and credit because they have difficulty getting loans from banks. Each of these loan brokerage company specializes in a certain type of loan product and has relationships with only a few banks and lenders and often there isn't a match. If there is a match and the loan is granted, the brokerage company gets a commission and then pays the sales rep a portion of the commission. What Peak provides is a platform for all these lenders and brokerage firms and agents to input data and be matched with a lender. This significantly increases the chances that any lead found by a loan broker will result in a commission and not a wasted lead as is currently often the case. That's why more than 50,000 sales reps have downloaded the application that allows them to submit leads to Peak's platform.

The biggest loan-matching platform in China is **Ant Financial's *CreditTech***, which serves both consumers credit and SMB credit needs. Peak only provides loan matching to micro and SMBs and does not compete in the consumer loan space. CreditTech also collaborates with partner financial institutions through its technology platform. It originates loans, which are then independently underwritten by its partner financial institutions. According to its prospectus, "as of June 30, 2020, (it) worked with approximately 100 partner banks, including all policy banks, large national state-owned banks, all national joint stock banks, leading city and rural commercial banks, international banks that operate in China, as well as trust companies. (It) generates technology service fees from (its) partner financial institutions that are based on the credit balance originated through (its) platform. It does not to use its own balance sheet or provide guarantees." In the year ending June 30, 2020 Ant originated RMB422 billion of loan volume through its platform.

FINANCIALS

2019 Results

For the year ending December 31, 2019, Peak generated $11.7 million in revenues compared to only $1.7 million in 2018. In 2018, all of the revenue was from making loans, while loans only contributed 29% of revenues in 2019 or $3.4 million, which was a growth of 105%. Although the fintech platform was launched in Q2 2018, it only really began to gain traction in February of 2019 and quickly became the majority of sales. For the 2019 year the company lost $951,551 to common shareholders compared to a loss of $3.9 million

the year before. This resulted in an EPS loss of $0.027 versus a loss of $0.055 or less than half of the year before.

Six Month 2020 Results

For the first six months of 2020, Peak increased revenues by 293% to $11.2 million compared to $2.9 million in the first half of 2019. The fintech platform contributed $8.6 million of that or 77% of total revenues compared to only $376,316 in 2019. Loan interest from the lending operation increased 12% to $1.8 million. While loan servicing fees declined 29% to $477,442.

While the company does not report cost of sales, we are looking at the margin of platform revenues after taking out the outsourcing expenses as all those expenses are only related to that business. For the first six months of 2020 that margin was 12.5%. The company plans to either bring those services in house or phase them out entirely and we expect the profit margin to increase once that happens.

Operating expenses reported are amazingly detailed but total expenses, excluding outsourcing, were $4.7 million versus $3.4 million, an increase of only 35% despite the huge increase in revenue. If we take out the one-time expense of $353,377 for expiration of deferred finance costs, the increase is even less.

The pretax loss was $1 million in 2020 and $600,000 in 2019. After paying taxes and taking out minority interest, the loss to common shareholders was a loss of $1.6 million in 2020 compared to a loss of $1.2 million in the first six months of 2019. The loss per share to common shareholders was $0.022 compared to a loss of $0.018 a year ago. On a non-GAAP basis taking out stock based compensation and the one-time expense we calculate non-GAAP loss of $844,000 compared to a loss of $1.0 million in 2019. During that time the share count increased 9.5% to 74 million. EBITDA for the first six months of 2020 was $348,158 a slight increase from the $318,158 a year ago.

Balance Sheet

Peak ended the quarter with $4.8 million in cash, working capital of $14.7 million and a debt of $3.6 million comprised primarily of a $3.3 million convertible debenture. Its loan portfolio is valued at $17.7 million.

Subsequent Events

On Oct 05, 2020 Peak Positioning Technologies sold 1.25 million units for $0.40 per unit totaling $500,000 in a private placement financing to a strategic institutional investor. Each unit is composed of one common share and one warrant at a price of $0.40 expiring in two years. These funds are earmarked to fund the joint venture with electronics distributor Beijing Dianjing Company Ltd. and specifically for inventory financing of Baidu's new **Xiaodu smart speaker**.

Forecasts

Q3 2020

We expect the September quarter to be reported on or about November 26th. Management has already told investors to expect revenues of $11 million compared to $5.0 million a year ago, a growth rate of 144%. The later half of any year is much bigger for Peak than the beginning as it mostly facilitates loans for inventory. Peak's business is seasonal as that inventory gets sold off in the Chinese holiday seasons. It also has a lot of visibility into its business as it is told by customers well in advance when they are going to place orders, and many of them are reliable repeat business. Many borrowers take loans to finance inventory—from raw materials all the through to final sale which can result in multiple fees generated as the product passes from one owner to the other through many months. Because of this visibility, we are confident of these revenues. We expect somewhat more spending and slightly better margins causing a small loss. We are looking for a

loss to common shareholders of $633,000 or $0.008 per share compared with a loss last year of $943,000 or $0.014 per share. On a non-GAAP basis, taking out stock-based compensation and the one-time impairment of asset in 2019, we expect the company to lose $355,000 compared to a profit of $660,000 in 2019. We expect the primary share count to be about 81.3 million this share compared with 69 million last an increase of 18%.

2020

For the full year the company has said to expect $40 million in revenues compared to $11.7 million in 2019, an increase of 243%. While these seems like an enormous ramp into Q4, the visibility it has from today in November, should prove sufficient to give confidence in the number. Management expects operating margins to improve with volume and is expecting a large profit in Q4 large enough to make up for losses in the first three quarters. We are looking for breakeven to common shareholders for the year versus a loss last year of $952,000. This is EPS of $0.000 using average fully diluted shares of 85.3 million. Last year the company lost $0.014 per share. On a non-GAAP basis the profit would be $1.6 million versus or $0.019 per share versus a loss of $992,000 and loss per share of $0.014, the same as GAAP. For the year we expect the average primary share count to have increased 17%. It **currently has 99.7 million primary shares and 111.4 million diluted shares** using the treasury stock method. The company has guided to $4 million in EBITDA and our model comes up with $3.7 million, which could point to an earnings beat.

2021

As its new agreement with BDC and the new financial center continue to roll out we expect solid growth with huge upside potential as the platform expands and new customers come on board. Its fixed cost model has huge operating leverage and 2021 should show that. With positive cash flow, the company should even be able to grow without additional capital raises. The company previously guided to $55 million in sales before it made the agreement with BDC, which has huge upside. It promises to update guidance when it is done evaluating the impact. Looking at how fast the company is adding revenues on its base business and given that much of it is repeat business, combined with the BDC opportunity, we are projecting revenues of $80 million next year. This would be double 2020 and seems feasible.

Expecting the company to pass the breakeven point in 2020, we project profit margins to grow given the operating leverage of the company. We are projecting pretax margins of 6.5% and a 26% tax rate. This would yield net income to common shareholders of $4.5 million. It is too early to tell what will happen with either BDC or the loan portfolio the company owns 51% of given the Chinese economy or the regulation changes so this may all change significantly. The EPS would be $0.04 using 111 million shares outstanding.

VALUATION

Until the IPO of Ant Group was pulled it, garnered a lot of attention, as it is the largest lending platform in China. If the IPO eventually goes through it will provide a valuable valuation comparison to Peak. What we know now is that it was expected to be the largest IPO in history. Talk was that the company could have been valued at as much as $280 billion and is being called the Amazon of finance. In the trailing twelve months ending June 30th it generated RMB140.6 billion in sales or US$21 billion. At the rumored valuation that was 13.3 times trailing twelve month sales. In the first six months of 2020 its revenues grew 38%.

Given the lack of China-based fintech platforms, and given that Ant Group has yet to go public, we are using the US names we think are as comparable. While the range is great based on margins and growth, we calculate an average of 13.8 times 2020 estimates taking the low, Green Dot and the high, Shopify out.

Based on this multiple and our estimate for Peak's 2020 sales of CN$40 million or US$30.7 million, and using fully diluted shares (using the treasury stock method of 111 million, the enterprise value would be US$423 million. The market value would be US$424 million and the stock price US$3.80 per share if estimates prove accurate. This could double or more next year as the company could grow 100% in our estimation.

10/23/20

		Revenue			TTM	Enterprise Value / Sales			EV/	Included	Enterprise
Company	**Ticker**	**2021E**	**2020E**	**LTM**	**EBITDA**	**2021E**	**2020E**	**LTM**	**EBITDA**	**in Average?**	**Value**
Fintech Platforms											
Green Dot	GDOT	$1,190	$1,140	$1,170	$186	0.7x	0.8x	0.7x	4.6x	n	859
Intuit	INTU	NA	$7,800	$7,680	$2,370	NA	11.4x	11.6x	37.5x	y	88,810
LendingTree	TREE	$1,080	$892	$1,030	$125	4.0x	4.9x	4.2x	34.8x	y	4,340
Lightspeed POS	LSPD.TO	$223	$171	$133	-$44	23.2x	30.3x	39.0x	-118.3x	y	5,180
PayPal	PYPL	$25,490	$21,430	$20,300	$4,030	9.1x	10.8x	11.4x	57.6x	y	232,300
Shopify	SHOP	$3,760	$2,850	$2,460	$59	32.3x	42.7x	49.4x	2053.0x	n	121,600
Square	SQ	$9,460	$7,500	$7,650	$15	9.2x	11.6x	11.4x	5852.4x	y	87,260
Average					**1,299**	**9.1**	**13.8**	**15.5**			**83,578**

RISKS

- While Peak has been successful to date facilitating loans and servicing them through its platform, the end results due to COVID on loan defaults on its own loan portfolio has not yet played out. Peak could be impacted both in its on portfolio of loans through charge-offs and the reduction of interest income going forward and as well as a loss of loan volume on its platform due to customers' loans also defaulting.

- After COVID shut downs, lenders may be more hesitant to lend to small and micro businesses.

- The banking industry is highly regulated by the Chinese government and changes in rules and requirements could impact Peak in the future. It has recently set out a draft of rule changes for microlenders ups their capital requirements and increases the criteria for lending. This could affect some of Peak's lending partners as well as its majority-owned lender. When any rule changes are made, lenders will have twelve months to comply.

- Peak is a new comer to the business and is currently unprofitable. There is no assurance its business model will ultimately result in profitable results.

- Peak plans to pursue rapid growth and as a result it may need to raise cash through the sale of equity in the future, diluting current shareholders.

- China proves a risky place to invest due to lower quality auditing and investors may require a discount from US and Canadian valuations.

MANAGEMENT

Johnson Joseph
CEO and Director

Mr. Joseph has been CEO of the Peak Group since 2011, guiding the company through a number of challenging periods and adjusting its business model to changing and difficult market conditions. He led the company's transition from being a software development company to an asset management company focused the Chinese Fintech and financial services sectors. His vision of giving Canadian investors access to some of China's most promising tech sector opportunities is now the driving force behind Peak's operations. Prior to joining Peak, he spent 8 years in the financial services industry with one of Canada's largest mutual fund and asset management companies. Mr. Joseph holds an MBA in Information Technology from HEC Montreal and a Bachelor's degree in Finance from Texas Tech University.

Jean Landreville
CFO

Mr. Landreville is a senior executive with over 30 years of experience, acquired in Europe and Canada, in strategic, financial and operational management of various sizes of companies ranging from SMEs to large corporations in a number of manufacturing and services sectors. As the Director of Finance of a high-profile international construction group in France he contributed to the restructuring of the group's financial and operational management. He also successfully led several financial and operational restructurings in Canada through strategic and tactical initiatives to support business growth, contract negotiations, business flow optimization and human resource management. Mr. Landreville is a CPA, CA and holds a Bachelor's degree in Business Administration from HEC Montreal.

Liang Qiu
CEO of Peak Group China

Mr. Liang "Golden" Qiu is a successful IT entrepreneur. Prior to joining the Peak Group, he was the co-founder and CTO of Longkey Software Technology, a provider of cloud-based Software as a Service (SaaS) business management applications to small and medium size businesses. In his role as Peak Group China CEO, he's responsible for the overall execution of the company's strategic plan in China, both from a technological development and business development standpoint. He also serves as the main liaison between the Peak Group and all of its Chinese subsidiaries. Mr. Qiu holds a Master's degree in Computer Science from McGill University.

BOARD OF DIRECTORS

Charles-André Tessier
Chairman

Mr. Tessier is a recently retired business lawyer and advisor working mainly in the IT, telecom and manufacturing sectors servicing companies such R3D Consulting Inc., DMR Group Inc., BioChem Pharma, and BCF Business Lawyers LLP. He sits on the board of a number of private and public companies and non-profit organizations and sat on the Executive Committee of the Association of Canadian General Counsel. Mr. Tessier holds a Civil Law degree and a Bachelor's degree in Administration from the University of Ottawa and has been a member of the Barreau du Quebec since 1980.

Johnson Joseph
President and CEO

Liang Qiu
CEO of Peak Group China

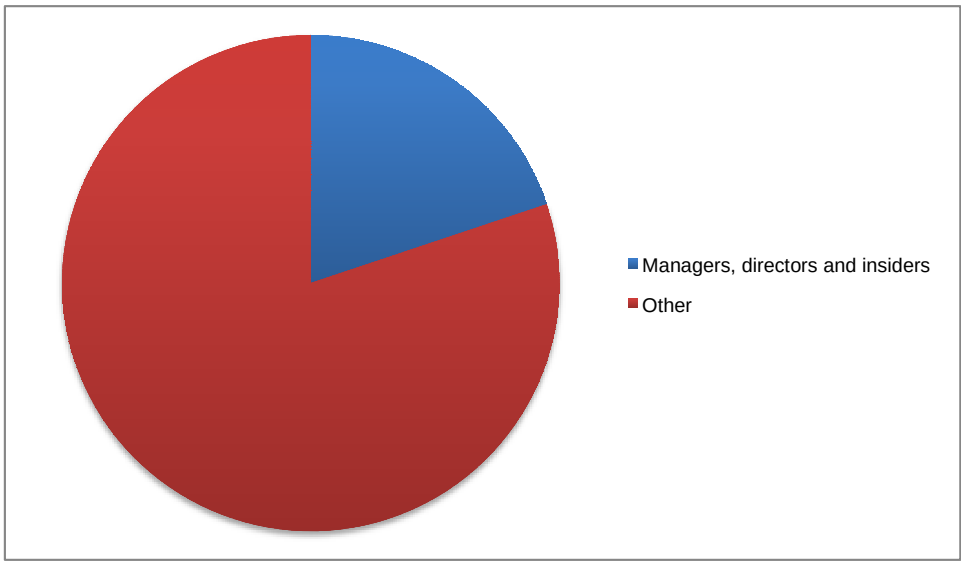
Mark Dumas

Mr. Dumas is a private investor in several technology companies and an entrepreneur with expertise in satellite, mobile, and e-commerce technologies, as well as gaming theory. Mr. Dumas was the founder and CEO of SPADAC, a US defense contractor that provided geospatial analysis, data mining and predictive analysis to clients. He went on to sell SPADAC to GeoEye in 2010. Mr. Dumas' professional experience also includes serving as Vice President of Special Projects at DigitalGlobe, a leading global provider of commercial high-resolution earth imagery products and services, where he supported mergers and acquisitions activities from 2011 to 2013. He is currently Chairman and CEO of PlayCall Inc., a football gaming application business, and sits on the Board of Weather Analytics, a Bethesda, MD based company that delivers proprietary global climate intelligence to commercial and government clients. Mr. Dumas holds a Bachelor of Science degree in Electrical Engineering from Mississippi State University.

Michael Pesner, CPA, CA

Michael is President of Hermitage Canada Finance Inc., a company he founded in 2002 that provides financial advisory, mergers and acquisitions as well as financial advisory services to public and private corporations in diverse industries. Prior to that, he spent 26 years at KPMG and predecessor firms where he accumulated a considerable amount of experience in financial management, corporate governance, and investment banking, including M&A transactions as well as debt and equity financing.
His past and present directorship experience includes KPMG, David's Tea, Fonds Régional de Montréal, FTQ, Well.ca, Le Château, SAQ (Société des alcools du Québec), and Wallbridge Mining to name just a few. His roles in various capacities including Lead Director, Audit Committee Chair, and Governance Committee Chair at such high-profile organizations earned him the distinction of being named as one of Quebec's Top 10 Corporate Directors in Montreal's Les Affaires newspaper.

OWNERSHIP



INCOME STATEMENT

Canadian Dollars	Q1 2019 31-Mar	Q2 2019 30-Jun	Q3 2019 30-Sep	Q4 2019 31-Dec	Q1 2020 31-Mar	Q2 2020 30-Jun	Q3 2020E 30-Sep	Q4 2020E 31-Dec	2019	2020E	2021E
ASSC Fintech Platform	-	376,316	NA	NA	2,628,187	5,971,298	9,500,000	16,200,000	NA	34,299,485	74,200,000
Yr-to-yr Growth	NA	NA	NA	NA	NA	1487%	NA	NA	NA	NA	116%
Outsourcing services	-	-	2,619,916	2,699,391	2,104,150	5,422,993	8,692,500	12,765,600	5,319,307	28,985,243	64,089,000
Gross profit	-	376,316	NA	NA	524,037	548,305	807,500	3,434,400	NA	11,227,656	15,911,000
Gross Margin %	0.0%	100.0%	NA	NA	13.3%	7.5%	8.5%	21.2%	NA	28%	20%
ASFC Loan interest (51% owner)	720,229	870,605	955,139	897,652	960,372	828,042	750,000	720,000	3,443,625	3,258,414	2,880,000
Yr-to-yr Growth	NA	288%	35%	21%	33%	-5%	-21%	-20%	105%	-5%	-12%
ASCS Loan Servicing Fees	229,282	442,568	NA	NA	233,713	243,729	475,000	810,000	NA	1,762,442	1,200,000
Yr-to-yr Growth	NA	NA	NA	NA	2%	-45%	NA	NA	NA	NA	-32%
ASDS Credit reports and other	-	212,234	3,544,814	NA	127,123	220,435	275,000	270,000	8,265,028	892,558	1,720,000
Yr-to-yr Growth	NA	NA	NA	NA	NM	4%	-92%	NA	NM	NM	93%
Sales	**$949,511**	**$1,901,723**	**$4,499,953**	**$4,357,466**	**$3,949,395**	**$7,263,504**	**$11,000,000**	**$18,000,000**	**$11,708,653**	**$40,212,899**	**80,000,000**
Yr-to-yr Growth	18348%	747%	534%	487%	316%	282%	144%	313%	596%	243%	99%
Operating expenses:											
Salaries and fringe benefits	402,026	429,614	401,598	432,196	323,809	389,120	420,000	410,000	1,665,434	1,542,929	2,000,000
Service fees	27,434	384,399	32,132	366,091	131,632	138,831	140,000	150,000	810,056	560,463	650,000
Royalty on software	-	-	30,427	54,335	30,873	26,028	27,000	27,000	84,762	110,901	105,084
Board renumberation	16,794	17,589	19,179	18,430	9,569	12,774	13,000	13,000	71,992	48,343	51,322
Consulting fees	114,701	139,168	33,427	22,780	325,716	527,285	750,000	800,000	310,076	2,403,001	3,500,000
Management fees	35,906	39,482	29,878	33,319	21,545	17,987	18,000	18,000	138,585	75,532	71,961
Professional fees	49,376	35,731	132,386	131,767	56,402	130,133	130,000	130,000	349,260	446,535	520,399
Administrative and indirect costs	59,100	88,841	47,269	(85,049)	236,111	1,717	2,000	2,000	110,161	241,828	7,151
PR and press releases	31,317	35,595	44,689	36,843	24,104	27,800	30,000	30,000	148,444	111,904	113,400
Office supplies, software and utilities	26,430	71,589	52,035	39,441	52,793	49,517	52,000	52,000	189,495	206,310	198,551
Lease expenses	13,277	11,665	8,447	8,667	11,533	11,571	11,571	11,571	42,056	46,246	46,284
Interface development cost	-	-			-	-	-	-		-	-
Depreciation of right-of-use assets	52,791	120,715	115,522	118,583	106,753	126,245	128,000	128,000	407,611	488,998	506,735
Insurance	7,239	8,039	6,279	10,612	11,289	10,489	11,000	11,000	32,169	43,778	42,467
Finance costs	231,538	256,430	267,283	287,456	259,950	260,401	260,401	260,401	1,042,707	1,041,153	1,041,604
Expected credit loss	4,467	32,576	176,103	51,232	361,525	254,080	350,000	350,000	264,378	1,315,605	1,112,240
Travel and entertainment	105,223	98,837	70,717	118,938	46,832	35,424	40,000	40,000	393,715	162,256	166,000
Stock exchange and transfer agent costs	7,238	19,008	12,138	7,403	10,778	25,338	26,000	26,000	45,787	88,116	102,014
Translation costs and others	18,540	8,471	3,734	7,388	8,353	5,587	6,000	6,000	38,133	25,940	22,761
Loss on deposity of sub receiveable	-	-	43,583	42,817	-	-	-	-	86,400	-	-
Loss on extinction of debt	-	-	-	816,793	-	-	-	-	816,793	-	-
Change in fair value of the contingent liab.	-	-	-	259,000	-	-	-	-	259,000	-	-
Gain on purchase	-	-	-	(941,000)	-	-	-	-	(941,000)	-	-
Impairment of intangible asset	-	-	584,189	-	-	-	-	-	584,189	-	-
Depreciation of property and equipment	9,389	10,147	10,382	17,630	21,370	21,785	22,000	22,000	47,548	87,155	87,355
Amortization	187,147	203,774	230,675	(26,517)	81,805	82,475	83,000	83,000	595,079	330,280	365,475
Expiration of deferred finance costs	-	-	-	-	353,377	-	-	-	-	353,377	-
Amortization of financing initial costs	9,054	9,155	9,090	2,918	348	348	348	348	30,217	1,392	1,392
Loss (gain) on foreign exchange	(627)	20,672	17,289	35,490	10,336	716	-	-	72,824	11,052	716
Total expenses	1,408,360	2,041,497	2,378,451	1,867,563	2,496,803	2,155,651	2,520,320	2,570,320	7,695,871	9,743,094	10,712,911
Pretax income	(458,849)	(139,774)	(498,414)	(209,488)	(651,558)	(315,140)	(212,820)	2,664,080	(1,306,525)	1,484,562	5,198,089
Pretax Margin	-48.3%	-7.3%	-11.1%	-4.8%	-16.5%	-4.3%	-1.9%	14.8%	-11.2%	3.7%	6.5%
Income taxes	109,930	156,213	278,902	(21,208)	154,137	223,763	220,000	220,000	523,837	523,837	1,351,503
Tax rate	0%	0%	-56%	0%	-24%	-71%	-103%	8%	-40.1%	35.3%	26.0%
Net income	(568,779)	(295,987)	(777,316)	(188,280)	(805,695)	(538,903)	(432,820)	2,444,080	(1,830,362)	960,725	3,846,586
Non-controlling interest	113,388	209,628	165,756	390,039	87,081	177,983	200,000	200,000	878,811	665,064	665,064
Net income to common shareholders	(682,167)	(505,615)	(943,072)	(578,319)	(892,776)	(716,886)	(632,820)	2,244,080	(951,551)	1,598	4,511,650
Currency translation adjustment	(74,207)	518,817	1,027,084	(179,930)	(1,264,221)	809,770	-	-	1,291,764	(454,451)	-
Total comprehensive income	(494,572)	(814,804)	(1,804,400)	(758,249)	458,526	(1,348,673)	(432,820)	2,444,080	(3,122,126)	1,415,176	3,846,586
Stk based compensation	73,094	78,290	105,343	121,364	69,202	78,290	78,290	78,290	378,091	304,072	304,072
One-time expenses	-	-	584,189	(124,207)	353,377	-	-	-	459,982	353,377	-
Non-GAAP Inc to common shareholders	(609,073)	(217,697)	689,532	(191,123)	(383,116)	(460,613)	(354,530)	2,522,370	(992,289)	1,618,174	4,150,658
EPS to common shareholder	**(0.010)**	**(0.007)**	**(0.014)**	**(0.008)**	**(0.012)**	**(0.010)**	**(0.008)**	**0.020**	**(0.014)**	**0.000**	**0.040**
Non-GAAP EPS to common shareholder	(0.009)	(0.003)	0.010	(0.003)	(0.005)	(0.006)	(0.004)	0.023	(0.014)	0.019	0.037
									-66%	-232%	96%
Shares											
Basic	67,521,214	67,687,560	68,996,496	68,996,496	73,783,060	74,291,302	81,310,026	99,652,576	68,995,981	80,614,829	101,300,000
Yr-to-yr Growth	4%	2%	3%	1%	9%	10%	18%	44%	4%	17%	26%
Fully diluted	67,521,214	67,692,620	68,996,496	69,000,547	73,783,060	74,291,302	93,100,590	111,443,140	68,995,981	85,331,054	111,443,140
											31%
Adjusted EBITDA	(21,722)	$339,732	$718,727	$498,880	$172,045	$176,113	280,929	3,157,829	$1,535,617	$3,786,916	7,200,650
					-892%	-48%	-61%	533%			90%

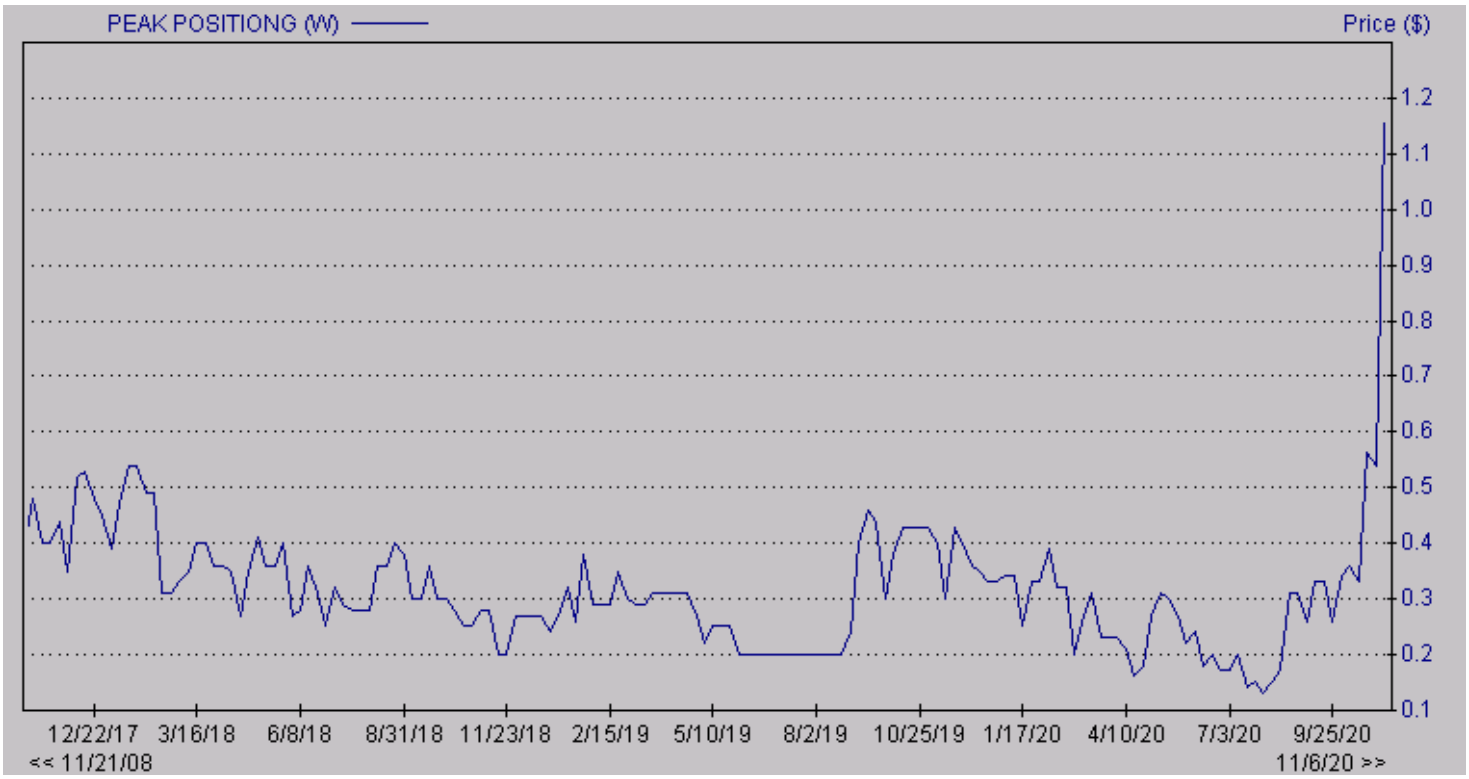
BALANCE SHEET

	June 30, 2020	March 31, 2020	Qtr-Qtr % Change	June 30, 2019	Yr-Yr % Change
Current assets					
Cash	**$4,798,040**	**$5,095,395**	-6%	**$276,243**	1637%
Loans receivable	**14,048,041**	**11,010,422**	28%	**11,769,262**	19%
Accounts receivable	6,333,364	3,732,472	NA	867,943	NA
Debtors	893,725	1,052,828	-15%	564,172	58%
Prepaid expenses	595,556	2,364,047	-75%	277,129	115%
Deferred financing cost	0	0		353,377	-100%
Total current assets	26,668,726	23,255,164	15%	14,108,126	89%
Loans receivable	**3,644,284**	**6,241,789**	-42%	**9,669,485**	-62%
Property and equipment, net	546,227	712,669	-23%	111,498	390%
Right-of-use assets	0	0	0%	648,205	-100%
Intangible assets	2,752,319	2,627,081	5%	2,760,103	0%
TOTAL ASSETS	33,611,556	32,836,703	2%	27,297,417	23%
Current liabilities					
Accounts payable and accruals	7,308,887	6,090,518	20%	3,522,287	108%
Lease liabilities	225,560	340,573	-34%	0	NM
Current tax liabilitities	773,918	593,762	30%	0	NM
Debentures	**3,341,211**	**3,148,595**	6%	**3,593,469**	-7%
Conversion option	24,423	24,423	0%	0	NM
Contingent compensation payable	254,586	254,586	0%	1,430,000	-82%
Total current liabilities	11,928,585	10,452,457	14%	8,545,756	40%
Long-term liabilities					
Debentures	**0**	**143,374**	-100%	**651,209**	-100%
Bonds	**223,262**	**0**	NM	**0**	NM
CEBA loan	**40,000**	**0**	NM	0	NM
Lease liabilities	**55,437**	**24,188**	129%	0	NM
Total long-term liabilities	318,699	167,562	90%	651,209	-51%
TOTAL LIABILITIES	12,247,284	10,620,019	15%	9,196,965	33%
Stockholder's equity					
Capital stock	25,635,525	25,635,525	0%	22,884,673	12%
Shares to be issued	758,414	493,414	54%	0	NM
Contributed surplus	9,870,672	9,736,016	1%	7,935,860	24%
Equity component of converts	57,299	57,299	0%	125,647	-54%
Accumluated other comp income	(599,760)	210,010	-386%	(634,059)	-5%
Deficit	(25,233,611)	(24,516,726)	3%	(22,102,561)	14%
Shareholder's equity to owners of parent	10,488,539	11,322,152	-7%	8,209,560	28%
Non-controlling interest	10,875,734	10,894,533	0%	9,890,891	10%
Total stockholders' equity	21,364,273	22,216,685	-4%	18,100,451	18%
Total liabilities and stockholders' equity	$33,611,557	$32,836,704	2%	$27,297,416	23%
Quick Ratio	2.2	2.2	0%	1.7	35%
Working Capital	14,740,141	12,802,707	15%	5,562,370	165%
Net cash	4,798,040	5,095,395	-6%	276,243	1637%
Net cash as % of assets	14%	16%	-8%	1%	1311%
Loans portfolio	$17,692,325	$17,252,211	3%	$21,438,747	-17%
Debt	$3,604,473	$3,291,969	9%	$4,244,678	-15%
Debt % of assets	11%	10%	7%	16%	-31%
Loan portfolio	17,692,325	17,252,211	3%	21,438,747	-17%
Provision for loan losses as % of portfolio	1.4%	3.3%	-56%	0.3%	419%

CASH FLOW

	3 Mo. Ended 3/31/19	3 Mo. Ended 6/30/19	3 Mo. Ended 9/30/19	3 Mo. Ended 12/31/19	Year 2019	3 Mo. Ended 3/31/20	3 Mo. Ended 6/30/20
Operating activities:							
Net loss	(568,779)	(295,987)	(777,316)	(188,280)	(1,830,362)	(805,695)	(538,903)
Non-cash items							
Loss on deposit & subscription receivable	-	-	-	86,400	86,400	-	-
Depreciation of property and equipment	9,389	10,147	10,382	17,630	47,548	21,370	21,785
Issuance of shares for settlement of debt	35,000	90,000	85,000	33,000	243,000	291,878	121,301
Expected credit loss	4,468	32,576	176,103	51,231	264,378	361,525	254,080
Amortization of intangibles	187,147	203,773	230,676	(26,517)	595,079	81,806	82,475
Amortization of initial cost debenture	9,054	-	-	21,163	30,217	348	348
Depreciation of right-of-use assets	-	-	289,027	118,584	407,611	106,753	126,245
Impairment of intangible assets	-	-	584,189	-	584,189	-	-
Share-based compensation	73,094	90,026	105,343	109,628	378,091	69,202	78,290
Accretion of conv. Debentures	123,830	145,608	154,836	129,568	553,842	139,229	139,449
Change in FV of cont. compensation payable	-	-	-	259,000	259,000	-	-
Loss on extinction of debt	-	-	-	816,793	816,793	-	-
Gain on bargain purchase	-	-	-	(941,000)	(941,000)	-	-
Expiration of deferred financing costs	-	-	-	-	-	353,377	-
Loans recievable maturing in more than 12 mo.	(59,719)	152,306	851,459	621,477	1,565,523	1,954,760	2,597,505
Interest charges	109,084	-	105,667	(214,751)	-	-	-
Interest paid	(107,770)	-	(105,667)	213,437	-	-	-
Changes in working capital accounts							
Income taxes payable	-	85,669	276,122	44,826	406,617	93,183	161,534
Debtors	74,715	-	-	(31,494)	43,221	-	-
Accounts receivable	-	(867,943)	(2,464,875)	675,789	(2,657,029)	(1,081,329)	(2,600,892)
Loans recievable maturing in less than 12 mo.	(2,299,557)	110,961	(96,224)	445,065	(1,839,755)	(178,859)	(3,291,700)
Lease receivables	180,865	426,457	(234,614)	(372,708)	-	-	-
Prepaid expenses	48,174	(13,188)	(140,930)	(341,083)	(447,027)	(1,080,436)	1,768,492
Accounts payable and other liabilities	479,711	871,039	2,429,963	(2,619,889)	1,160,824	(297,201)	1,218,369
Net cash used by operating activities	(1,701,294)	1,041,444	1,479,141	(1,092,131)	(272,840)	29,911	138,378
Investing activities:							
Investment in intangible assets	(1,757,928)	(462,432)	447,018	1,076,272	(697,070)	(346,503)	(207,713)
Property and equipment	(18,101)	(137)	(9,275)	(165,225)	(192,738)	(26,993)	9,070
Right of use asset	-	-	(863,430)	863,430	-	-	-
Debtors	(34,212)	99,001	(76,038)	(778,890)	(790,139)	210,830	177,726
Net cash used in investing activities	(1,810,241)	(363,568)	(501,725)	995,587	(1,679,947)	(162,666)	(20,917)
Financing activities:							
Shares to issue	-	-	-	-	-	-	265,000
Debenture to be issued	250,000	280,000	-	(420,000)	110,000	(110,000)	-
Issuance of bond	1,430,000	-	-	(1,150,000)	280,000	160,000	288,159
Payment of debenture	-	-	-	(40,000)	(40,000)	-	-
Subcription receiveable	-	-	-	250,000	250,000	-	-
Advance from third parties	-	-	-	1,800,281	1,800,281	1,889,054	-
Advance from a director	-	-	-	298,400	298,400	21,920	-
CEBA loan	-	-	-	-	-	-	40,000
Repayment of lease liabilities	-	-	147,117	(611,656)	(464,539)	(172,473)	(74,423)
Non-controlling interest	128,482	(227,365)	(315,578)	414,461	-	-	(18,799)
Issuance of shares	-	-	640,000	-	640,000	545,000	73,000
Net cash used in financing activities	1,808,482	52,635	471,539	541,486	2,874,142	2,333,501	572,937
Impact of foreign exchange	(39,180)	(728,445)	(289,607)	(163,024)	(1,220,256)	1,177,140	(987,752)
Net change - cash	(1,742,233)	2,066	1,159,348	281,918	(298,901)	3,377,886	(297,354)
Cash, beginning	2,016,410	274,177	276,244	1,435,592	2,016,410	1,717,509	5,095,394
Cash, end of period	274,177	276,243	1,435,592	1,717,510	1,717,509	5,095,395	4,798,040
Cash flow - ex changes in working capital	(185,202)	428,449	1,709,699	1,020,963	2,973,909	2,574,553	2,882,575
Free cash flow	(1,995,443)	64,881	1,207,974	2,016,550	1,293,962	2,411,887	2,861,658

HISTORICAL STOCK PRICE



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