November 30, 2020

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Lisa Thompson
312-265-9154
lthompson@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Peak Fintech Group (OTCQX: PKKFF)

PKKFF: Q3 Revenues More that Double Sequentially, Easily Beating Estimates

Compared to its peers in the fintech space who trade at an average of 13.3 times enterprise value to 2020 estimated sales we believe Peak is worth US$3.50 per share.

Current Price (11/27/20)	US$1.54
Valuation	**US$3.50**

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 258% in the first nine months of 2020 and is on track to surpass $44 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$1.37**
52-Week Low	**US$0.26**
One-Year Return (%)	**285**
Beta	**N/A**
Average Daily Volume (sh)	**415,611**
Shares Outstanding (mil)	**102.3**
Market Capitalization (US$m)	**157.5**
Short Interest Ratio (days)	**0.1**
Institutional Ownership (%)	**0.0**
Insider Ownership (%)	**19.3**
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/A**
P/E using 2020 Estimate	**N/M**
P/E using 2021 Estimate	**N/M**

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	15.1 A	20.0 E	46.3 E
2021					90.0 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	-0.010 A	-0.006 E	-0.034 E
2021					-0.017 E

© Copyright 2020, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

Peak Fintech's Q3 revenues easily beat our estimates as new supply chain customers came onboard and caused us to raise revenue estimates for Q4 and thus the year. The bad news is, they bought with them lower margins as these customers use outsourcing services such as invoicing, inventory management, warehousing and shipping for which Peak pays others. While Peak does not plan to provide warehousing or shipping, it is in the process of bringing all the IT related outsourced services in-house to be facilitated by its Gold River system resulting in higher margins in the future. Porting customers over will take time, so we expect margins for the fintech platform to be down in Q4 and begins to tick up as porting progresses in 2021. This revenue growth was achieved without a contribution from the joint venture with BDC or any business at all with the referral program with Beijing Jingying that was only signed in November. Those two will contribute in Q1 2021. Clearly the platform is gaining traction and as the two distributors begin to contribute, we expect margins to trend upwards. For now we are raising our 2020 revenue estimate to $46.3 million while cutting earnings. For 2021 we are raising revenues to $90 million as we expect all four 2021 quarters to increase from the Q4 revenue base. Given that the company is cash flow positive and it has at least $20 million to be raised from already outstanding options and warrants we believe this growth can be achieved without further capital raises not including potential acquisitions.

Q3 2020 Earnings Results

For Q3 2020, Peak increased revenues by 236% to $15.1 million compared to $4.5 million in Q3 of 2019. The company is now reporting the fintech platform combined with ASDS (the entity that manages the Gold River system.) That segment contributed $14.2 million or 94% of total revenues compared to only $3.3 million in 2019. Loan interest from the lending operation decreased 30% to $664,000 from $955,000 in 2019. While loan servicing fees declined 17% to $240,000.

While the company does not report cost of sales, we are looking at the margin of platform revenues (now combined with ASDS fees) after taking out the outsourcing expenses, as all those expenses are only related to that business. For Q3 2020 that margin was down to 6.0% from 19.6% in Q3 2019 and 10.6% in Q2 2020. The company plans to either bring a portion of those services in house, and we expect the profit margin to increase once that happens.

Operating expenses reported are amazingly detailed but total expenses, excluding outsourcing, were $2.1 million versus $2.4 million in 2019, a decrease of $258,000 despite the huge increase in revenue. In Q3 2019 the company had a one-time charge of $584,000 for impairment of asset for the write-down of the Gold River product procurement platform. If we take that out of the comparison operating expenses increased $326,000.

The pretax loss was $389,000 in Q3 2020 and $498,000 in Q3 2019. Taking out the one-time charge the company made a pretax profit of $86,000 in 2019. After paying taxes and taking out minority interest, the loss to common shareholders was a loss of $863,000 in Q3 2020 compared to a loss of $943,000 million in the Q3 2019. Minus the charge the 2019 loss was $359,000.

The loss per share to common shareholders was $0.010 compared to a loss of $0.014 a year ago. On a non-GAAP basis taking out stock based compensation and the one-time expense we calculate non-GAAP loss of $750,000 compared to a profit of $690,000 million in 2019. During that time the share count increased 26% to 86.6 million primary shares. EBITDA for Q3 2020 was $128,000 down 82% from the $719,000 a year ago.

Balance Sheet

Peak ended the quarter with $7.4 million in cash, $5 million of which belongs to the ASFC division, which is the bank. Working capital was $19.6 million (or $14.6 without the bank's money) and debt was $3.6 million comprised primarily of a $3.3 million convertible debenture. The debenture has a forced conversion and as of date of the filing, half of that $3.3 million was already converted. If the stock is over CN$2.00 for three days the rest will be forced to convert. Its loan portfolio is valued at $17.5 million. The exercise of warrants and

options **could add at least $20 million**, with the warrants alone being $18.4 million. The company expects all of its warrants will be exercised by year-end giving it **a share count of about 140 million**. Another source of cash would be to sell off the 51% of the bank it owns, which is no longer as strategic a need as it was in the early days.

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**.

On October 28, 2020, the company granted incentive options to acquire 2,450,000 common shares at $0.75 to certain directors, officers, and key employees. The options expire in October 2025, vest over two years. On November 12th Peak began facilitating loans in its joint venture program with BDC. These first four loans were for purchase orders for iPhones for JD.com affiliated stores. These loans totaled $9.5M and the platform earned a fee equal to 2% of the annualized interest rate charged by the lender. The program should be fully operational in the next few days.

On November 19th Peak signed an agreement with packaged foods wholesale distributor Beijing Jingying Corporate Management Ltd. (BJM) to bring its financing solution to BJM's 250,000 retail clients. BJM is a major distributor of products from China Oil and Foodstuffs Corporation (COFCO), and has exclusive distribution rights to the 200,000 Petro-China convenience stores as well as JD.com. COFCO is China's largest food processor, manufacturer, and commodities trader. It operates in Japan, the US, the UK, Australia, and Canada. Since this agreement is a referral to Peak for loans, it is already having these clients start to register on its platform although to date, no loans have yet closed.

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 $60 million revenue run rate and expects to surpass $40 million in annual revenues this year. It has been adjusted EBITDA and free cash flow 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 145% for the first nine months of 2020, while its losses to common shareholders increase to $1.9 million from losses of $1.3 million on a non-GAAP basis. Despite losses, its adjusted EBITDA for the first nine months was a positive

$476,000 compared with $1.0 million a year ago. It was targeting $40 million in revenues, which it looks to easily beat although it will fall short of its $4 million EBITDA target.

- Compared to its fintech peers who trade at an average of 13.3 times enterprise value to 2020 estimated revenues, Peak is currently trading at an enterprise value US$208 million or only 5.8 times EV/sales using a 2020 revenue estimate of US$35.7 million. 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 $17 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 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 further cities. The platform 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. 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 still not signed an official agreement with the city and after it is signed the company will begin to create the center.

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 31.9% as of the end of September. 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.

Gross Loans Receivable

	3/31/19	6/30/19	9/30/19	12/31/19	3/31/20	6/30/20	9/30/20
Current	21,574,191	20,497,483	19,213,416	17,509,277	13,025,226	13,101,465	12,615,806
Non-Current	316,323	1,122,179	1,638,847	2,280,306	4,966,696	5,566,697	5,910,801
Total	21,890,514	21,619,662	20,852,263	19,789,583	17,991,922	18,668,162	18,526,607
% Non-current	1.4%	5.2%	7.9%	11.5%	27.6%	29.8%	31.9%
Avg loan portfolio	18,607,820	20,455,634	20,779,256	NA	19,073,016	17,121,366	17,683,147
Effective avg interest rate	15.9%	17.3%	17.4%	NA	17.0%	15.5%	15.0%
Avg maturity	16.3	16.1	16.5	NA	17.7	16.4	16.4

FINANCIALS

Forecasts

Q4 2020

Because of the seasonality of Peak's business we expect revenues to be up sequentially to $20 million. Outsourcing expenses for the supply chain customers should cause margins to once again decline until turning around some time next year. We expect somewhat more spending but better EBITDA than Q3 2020. We are now looking for a loss to common shareholders of $815,000 or $0.006 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 $655,000 compared to a profit of $660,000 in 2019. We expect the average primary share count to be about 110 million this share compared with 69 million last an increase of 59%.

2020

Taking into accounts its Q3 revenue beat, the company has said to expect it will surpass $40 million in revenues for 2020 compared to $11.7 million in 2019. Given the Q3 revenue beat we are raising our year to $46 million revenue, and increase of almost 300%. The net loss could be $3.3 million or $0.034 per share versus a loss of $952,000 or $0.014 per share in 2019. On a non-GAAP basis the loss would be $2.5 million or $0.026 per share versus a loss of $992,000 and loss per share of $0.014, the same as GAAP. It **currently has 102.5 million primary shares and 136.2 million diluted shares** using the treasury stock method and we expect that number to go to 140 million as all the warrants get converted by the end of 2020.

2021

As its new agreements with BDC and Beijing Jingying and the new financial centers continue to roll out we expect solid growth with 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 its new agreements. 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 new opportunities, we are now projecting revenues of $90 million next year. We expect profit margins to grow given the operating leverage of the company. But given the gross margin decline we have seen to date, it is hard to predict when we will see this. For now we are using an EPS estimate of a loss of $0.017 per share using an average of 140 million.

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 13.3 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$46 million or US$35.7 million, and using fully diluted shares (using the treasury stock method of 136 million, the enterprise value would be US$475 million. The market value would be US$480 million and the stock price US$3.50 per share if estimates prove accurate. This could double or more next year as the company's revenues double.

		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	$1,230	$1,190	$1,220	$186	0.8x	0.8x	0.8x	5.0x	n	932
Intuit	INTU	NA	$7,900	$7,840	$2,560	NA	11.2x	11.3x	34.6x	y	88,663
LendingTree	TREE	$1,060	$898	$943	$80	3.7x	4.4x	4.2x	48.8x	y	3,920
Lightspeed POS	LSPD	$234	$164	$150	-$50	20.5x	29.3x	31.9x	-96.0x	y	4,800
PayPal	PYPL	$25,430	$21,420	$20,300	$4,030	9.7x	11.5x	12.1x	61.0x	y	246,000
Shopify	SHOP	$3,770	$2,850	$2,460	$59	31.4x	41.5x	48.1x	1998.5x	n	118,370
Square	SQ	$12,950	$9,390	$7,650	$15	7.3x	10.0x	12.3x	6304.5x	y	94,000
Average					**1,327**	**8.2**	**13.3**	**14.4**			**87,477**

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.

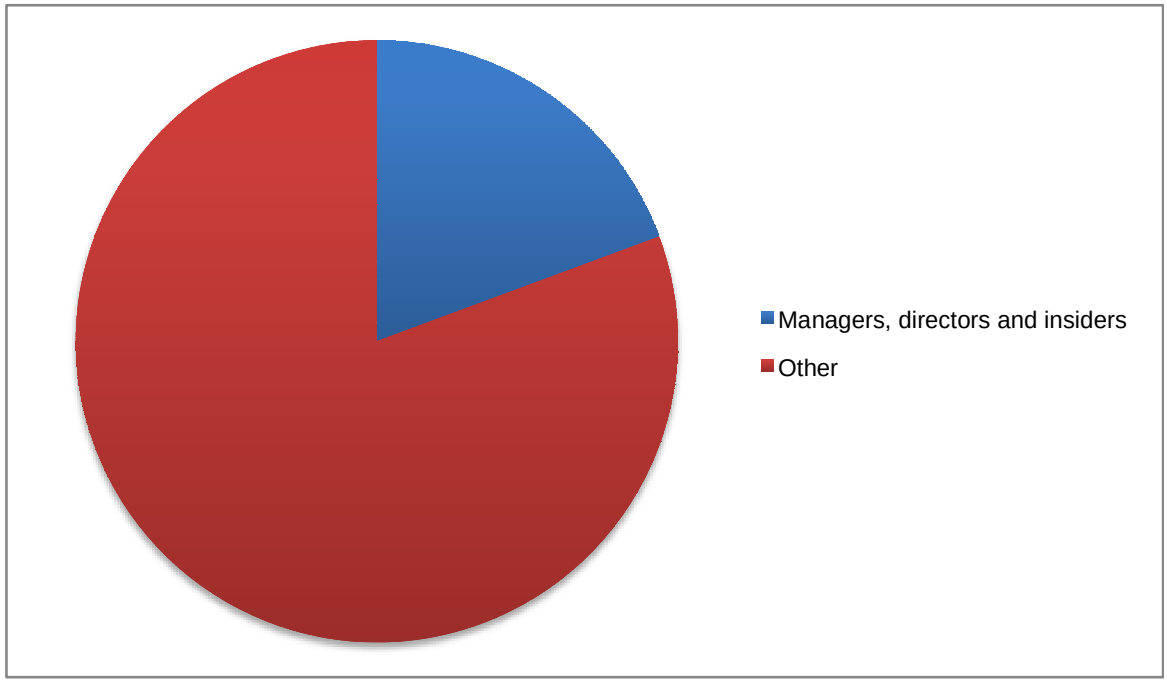
- The banking industry is highly regulated by the Chinese government and changes in rules and requirements could impact Peak in the future. It has recently set out a draft of rule changes for microlenders ups their capital requirements and increases the criteria for lending. This could affect some of 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.

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 2020 30-Sep	Q4 2020E 31-Dec	2019	2020E	2021E
ASSC Fintech Platform & ASDS	-	588,550	3,256,855	NA	2,755,310	6,191,733	14,193,244	19,250,000	NA	42,390,287	85,700,000
Yr-to-yr Growth	NA	NA	NA	NA	NA	952%	336%	NA	NA	NA	102%
Outsourcing services	-	-	2,619,916	2,699,391	2,104,150	5,422,993	13,385,347	18,287,500	5,319,307	39,199,990	78,450,000
Gross profit	-	588,550	636,939	NA	651,160	768,740	807,897	962,500	NA	3,190,297	7,250,000
Gross Margin %	NA	100.0%	19.6%	NA	16.5%	10.6%	6.0%	5.0%	NA	7%	8%
ASFC Loan interest (51% owner)	720,229	870,605	955,139	897,652	960,372	828,042	664,178	500,000	3,443,625	2,952,592	1,900,000
Yr-to-yr Growth	NA	288%	35%	21%	33%	-5%	-30%	-44%	105%	-14%	-36%
ASCS Loan Servicing Fees	229,282	442,568	287,959	NA	233,713	243,729	239,640	250,000	NA	967,082	1,200,000
Yr-to-yr Growth	NA	NA	NA	NA	2%	-45%	-17%	NA	NA	NA	24%
Sales	**$949,511**	**$1,901,723**	**$4,499,953**	**$4,357,466**	**$3,949,395**	**$7,263,504**	**$15,116,369**	**$20,000,000**	**$11,708,653**	**$46,329,268**	**90,000,000**
Yr-to-yr Growth	18348%	747%	534%	487%	316%	282%	236%	359%	596%	296%	94%
Operating expenses:											
Salaries and fringe benefits	402,026	429,614	401,598	432,196	323,809	389,120	386,676	390,000	1,665,434	1,489,605	2,000,000
Service fees	27,434	384,399	32,132	366,091	131,632	138,831	208,741	210,000	810,056	689,204	650,000
Royalty on software	-	-	30,427	54,335	30,873	26,028	47,469	47,469	84,762	151,839	125,553
Board renumberation	16,794	17,589	19,179	18,430	9,569	12,774	29,062	29,062	71,992	80,467	67,384
Consulting fees	114,701	139,168	33,427	22,780	325,716	527,285	508,902	400,000	310,076	1,761,903	3,000,000
Management fees	35,906	39,482	29,878	33,319	21,545	17,987	15,729	15,729	138,585	70,990	69,690
Professional fees	49,376	35,731	132,386	131,767	56,402	130,133	154,345	150,000	349,260	490,880	540,399
Administrative and indirect costs	59,100	88,841	47,269	(85,049)	236,111	1,717	(16,246)	-	110,161	221,582	5,151
PR and press releases	31,317	35,595	44,689	36,843	24,104	27,800	88,207	88,207	148,444	228,318	171,607
Office supplies, software and utilities	26,430	71,589	52,035	39,441	52,793	49,517	26,777	40,000	189,495	169,087	198,551
Lease expenses	13,277	11,665	8,447	8,667	11,533	11,571	11,570	11,570	42,056	46,244	46,283
Interface development cost	-	-			-	-	-	-		-	-
Depreciation of right-of-use assets	52,791	120,715	115,522	118,583	106,753	126,245	137,209	140,000	407,611	510,207	518,735
Insurance	7,239	8,039	6,279	10,612	11,289	10,489	10,112	10,000	32,169	41,890	41,467
Finance costs	231,538	256,430	267,283	287,456	259,950	260,401	280,584	280,584	1,042,707	1,081,519	1,061,787
Expected credit loss	4,467	32,576	176,103	51,232	361,525	254,080	451	451	264,378	616,507	762,691
Travel and entertainment	105,223	98,837	70,717	118,938	46,832	35,424	55,943	60,000	393,715	198,199	186,000
Stock exchange and transfer agent costs	7,238	19,008	12,138	7,403	10,778	25,338	65,857	75,000	45,787	176,973	151,014
Translation costs and others	18,540	8,471	3,734	7,388	8,353	5,587	6,676	6,676	38,133	27,292	23,437
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	21,495	21,495	47,548	86,145	86,850
Amortization	187,147	203,774	230,675	(26,517)	81,805	82,475	67,616	67,616	595,079	299,512	350,091
Expiration of deferred finance costs	-	-	-	-	353,377	-	-	-	-	353,377	-
Amortization of financing initial costs	9,054	9,155	9,090	2,918	348	348	10,441	10,441	30,217	21,578	11,485
Loss (gain) on foreign exchange	(627)	20,672	17,289	35,490	10,336	716	2,776	-	72,824	13,828	716
Total expenses	1,408,360	2,041,497	2,378,451	1,867,563	2,496,803	2,155,651	2,120,392	2,054,300	7,695,871	8,827,146	10,068,891
Pretax income	(458,849)	(139,774)	(498,414)	(209,488)	(651,558)	(315,140)	(389,370)	(341,800)	(1,306,525)	(5,636,849)	(2,818,891)
Pretax Margin	-48.3%	-7.3%	-11.1%	-4.8%	-16.5%	-4.3%	-2.6%	-1.7%	-11.2%	-12.2%	-3.1%
Income taxes	109,930	156,213	278,902	(21,208)	154,137	223,763	123,504	123,504	523,837	523,837	359,088
Tax rate	0%	0%	-56%	0%	-24%	-71%	-32%	-36%	-40.1%	-9.3%	-12.7%
Net income	(568,779)	(295,987)	(777,316)	(188,280)	(805,695)	(538,903)	(512,874)	(465,304)	(1,830,362)	(6,160,686)	(3,177,979)
Non-controlling interest	113,388	209,628	165,756	390,039	87,081	177,983	350,015	350,015	878,811	965,094	665,064
Net income to common shareholders	(682,167)	(505,615)	(943,072)	(578,319)	(892,776)	(716,886)	(862,889)	(815,319)	(951,551)	(3,287,870)	(2,512,915)
Currency translation adjustment	(74,207)	518,817	1,027,084	(179,930)	(1,264,221)	809,770	(472,282)	-	1,291,764	(926,733)	-
Total comprehensive income	(494,572)	(814,804)	(1,804,400)	(758,249)	458,526	(1,348,673)	(40,592)	(465,304)	(3,122,126)	(5,233,953)	(3,177,979)
Stk based compensation	73,094	78,290	105,343	121,364	69,202	78,290	112,920	150,000	378,091	410,412	304,072
One-time expenses	-	-	584,189	(124,207)	353,377	-	-	-	459,982	353,377	-
Non-GAAP Inc to common shareholders	(609,073)	(427,325)	(253,540)	(581,162)	(470,197)	(638,596)	(749,969)	(665,319)	(113,478)	(2,524,081)	(2,208,843)
EPS to common shareholder	**(0.010)**	**(0.007)**	**(0.014)**	**(0.008)**	**(0.012)**	**(0.010)**	**(0.010)**	**(0.006)**	**(0.014)**	**(0.034)**	**(0.017)**
Non-GAAP EPS to common shareholder	(0.009)	(0.006)	(0.004)	(0.008)	(0.006)	(0.009)	(0.006)	(0.005)	(0.002)	(0.026)	(0.015)
									-96%	1477%	-41%
Shares											
Basic	67,521,214	67,687,560	68,996,496	68,996,496	73,783,060	74,291,302	86,648,682	110,000,000	68,995,981	83,752,045	140,000,000
Yr-to-yr Growth	4%	2%	3%	1%	9%	10%	26%	59%	4%	21%	67%
Fully diluted	67,521,214	67,692,620	68,996,496	69,000,547	73,783,060	74,291,302	120,598,198	143,949,516	68,995,981	97,331,851	145,000,000
											49%
Adjusted EBITDA	(21,722)	$339,732	$718,727	$498,880	$172,045	$176,113	127,975	178,336	$1,535,617	$654,469	3,410,057

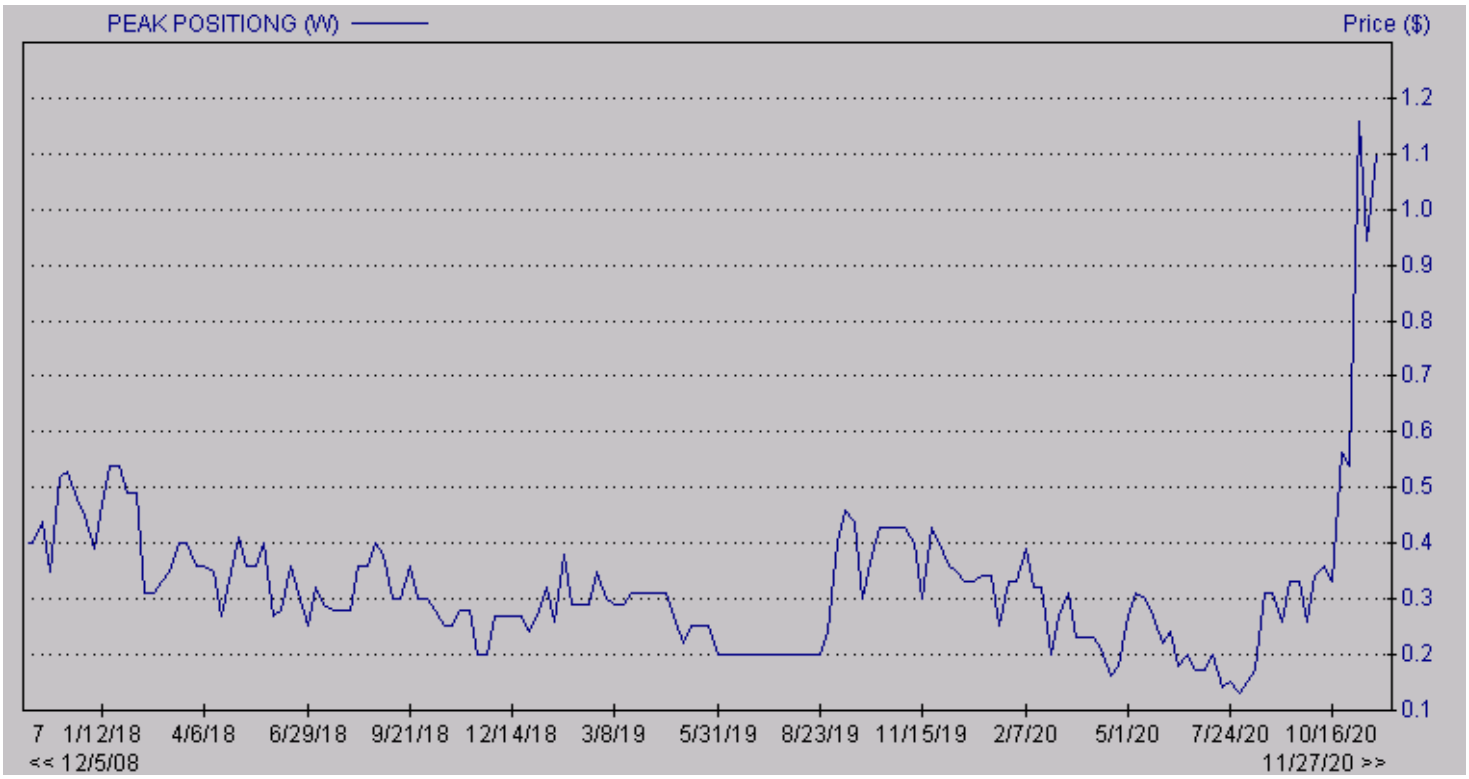
BALANCE SHEET

	Sept 30, 2020	June 30, 2020	Qtr-Qtr % Change	Sept 30, 2019	Yr-Yr % Change
Current assets					
Cash	**$7,392,570**	**$4,798,040**	54%	**$1,435,592**	415%
Loans receivable	**14,819,332**	**14,048,041**	5%	**11,689,383**	27%
Accounts receivable	0	6,333,364	-100%	0	0%
Debtors	19,617,346	893,725	2095%	3,907,393	402%
Prepaid expenses	499,556	595,556	-16%	489,580	2%
Deferred financing cost	0	0	0%	353,377	-100%
Total current assets	42,328,804	26,668,726	59%	17,875,325	137%
Loans receivable	**2,718,580**	**3,644,284**	-25%	**8,818,025**	-69%
Property and equipment, net	609,713	546,227	12%	684,793	-11%
Intangible assets	3,030,444	2,752,319	10%	2,146,427	41%
TOTAL ASSETS	48,687,541	33,611,556	45%	29,524,570	65%
Current liabilities					
Accounts payable and accruals	18,044,249	7,308,887	147%	6,146,761	194%
Lease liabilities	239,307	225,560	6%	0	NA
Current tax liabilitities	907,035	773,918	17%	0	NM
Debentures	**3,271,888**	**3,341,211**	-2%	**3,730,704**	-12%
Conversion option	24,423	24,423	0%	0	NM
Contingent compensation payable	254,586	254,586	0%	1,430,000	-82%
Total current liabilities	22,741,488	11,928,585	91%	11,307,465	101%
Long-term liabilities					
Debentures	**0**	**0**	0%	**371,171**	-100%
Bonds	**241,067**	**223,262**	8%	**0**	NM
CEBA loan	**40,000**	**40,000**	0%	**0**	NM
Lease liabilities	159,052	55,437	187%	**0**	NM
Total long-term liabilities	440,119	318,699	38%	371,171	19%
TOTAL LIABILITIES	23,181,607	12,247,284	89%	11,678,636	98%
Stockholder's equity					
Capital stock	27,837,048	25,635,525	9%	23,873,285	17%
Shares to be issued	493,414	758,414	-35%	0	NM
Contributed surplus	12,022,687	9,870,672	22%	8,133,170	48%
Equity component of converts	54,359	57,299	-5%	67,708	-20%
Accumluated other comp income	(127,478)	(599,760)	-79%	(757,910)	-83%
Deficit	(26,096,500)	(25,233,611)	3%	(23,045,634)	13%
Shareholder's equity to owners of parent	14,183,530	10,488,539	35%	8,270,619	71%
Non-controlling interest	11,322,405	10,875,734	4%	9,575,313	18%
Total stockholders' equity	25,505,935	21,364,273	19%	17,845,932	43%
Total liabilities and stockholders' equity	$48,687,542	$33,611,557	45%	$29,524,568	65%
Quick Ratio	1.9	2.2	-17%	1.6	18%
Working Capital	19,587,316	14,740,141	33%	6,567,860	198%
Net cash	7,392,570	4,798,040	54%	1,435,592	415%
Net cash as % of assets	15%	14%	6%	5%	212%
Debt	$3,552,955	$3,604,473	-1%	$4,101,875	-13%
Debt % of assets	7%	11%	-32%	14%	-47%
Loan portfolio	17,537,912	17,692,325	-1%	20,507,408	-14%
Provision for loan losses as % of portfolio	0.0%	1.4%	-100%	0.9%	-100%

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	3 Mo. Ended 9/30/20
Operating activities:								
Net loss	(568,779)	(295,987)	(777,316)	(188,280)	(1,830,362)	(805,695)	(538,903)	(512,874)
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	21,495
Issuance of shares for settlement of debt	35,000	90,000	85,000	33,000	243,000	291,878	121,301	702,798
Expected credit loss	4,468	32,576	176,103	51,231	264,378	361,525	254,080	451
Amortization of intangibles	187,147	203,773	230,676	(26,517)	595,079	81,806	82,475	67,616
Amortization of initial cost debenture	9,054	-	-	21,163	30,217	348	348	10,441
Depreciation of right-of-use assets	-	-	289,027	118,584	407,611	106,753	126,245	137,209
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	112,920
Accretion of conv. Debentures	123,830	145,608	154,836	129,568	553,842	139,229	139,449	147,475
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	925,704
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	135,870
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)	(11,830,148)
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)	(771,742)
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	95,999
Accounts payable and other liabilities	479,711	871,039	2,429,963	(2,619,889)	1,160,824	(297,201)	1,218,369	10,732,424
Net cash used by operating activities	(1,701,294)	1,041,444	1,479,141	(1,092,131)	(272,840)	29,911	138,378	(24,362)
Investing activities:								
Investment in intangible assets	(1,757,928)	(462,432)	447,018	1,076,272	(697,070)	(346,503)	(207,713)	(345,740)
Property and equipment	(18,101)	(137)	(9,275)	(165,225)	(192,738)	(26,993)	9,070	(3,630)
Right of use asset	-	-	(863,430)	863,430	-	-	-	-
Debtors	(34,212)	99,001	(76,038)	(778,890)	(790,139)	210,830	177,726	(342,862)
Net cash used in investing activities	(1,810,241)	(363,568)	(501,725)	995,587	(1,679,947)	(162,666)	(20,917)	(692,232)
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)	(101,198)
Non-controlling interest	128,482	(227,365)	(315,578)	414,461	-	-	(18,799)	446,671
Issuance of shares	-	-	640,000	-	640,000	545,000	73,000	2,843,384
Net cash used in financing activities	1,808,482	52,635	471,539	541,486	2,874,142	2,333,501	572,937	3,188,857
Impact of foreign exchange	(39,180)	(728,445)	(289,607)	(163,024)	(1,220,256)	1,177,140	(987,752)	122,267
Net change - cash	(1,742,233)	2,066	1,159,348	281,918	(298,901)	3,377,886	(297,354)	2,594,530
Cash, beginning	2,016,410	274,177	276,244	1,435,592	2,016,410	1,717,509	5,095,394	4,798,040
Cash, end of period	274,177	276,243	1,435,592	1,717,510	1,717,509	5,095,395	4,798,040	7,392,570
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	1,613,235
Free cash flow	(1,995,443)	64,881	1,207,974	2,016,550	1,293,962	2,411,887	2,861,658	921,003

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research (Zacks SCR), a division of Zacks Investment Research (ZIR), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

Zacks SCR Analysts hereby certify that the view expressed in this research report or blog article accurately reflect the personal views of the analyst about the subject securities and issuers. Zacks SCR also certifies that no part of any analysts' compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report or blog article. Zacks SCR believes the information used for the creation of this report or blog article has been obtained from sources considered reliable, but we can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice. The Zacks SCR Twitter is covered herein by this disclosure.

INVESTMENT BANKING AND FEES FOR SERVICE

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.

Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer.

The non-investment banking services provided to the issuer include the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR.

Each issuer has entered into an agreement with Zacks to provide continuous independent research for a period of no less than one year in consideration of quarterly payments totaling a maximum fee of $40,000 annually.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.

SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the Valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover.

SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or Tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer and, therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.