

# Zacks Small-Cap Research

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## Peak Fintech Group

(OTCQX: PKKFF)

**PKKFF: Peak Fintech Expects to Grow 145% this Year and Be Profitable**

Compared to its peers in the fintech space who trade at an average of 12.3 times enterprise value to 2021 estimated sales and applying a 20% discount, we believe Peak is worth US\$4.50 per share.

## 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 265% in 2020 and could grow more than 145% this year from already signed deals. It has arrangements with cities, wholesale distributors, and eCommerce platforms to facilitate commercial loans to their constituents and customers. Peak earns a fee of between 1-4% of the value of each loan it facilitates as well as fees for other services.

Current Price (07/21/21) US\$2.00  
Valuation US\$4.50

## SUMMARY DATA

52-Week High US\$2.43  
52-Week Low US\$0.26  
One-Year Return (%) 1,197  
Beta 2.3  
Average Daily Volume (sh) 377,179

Shares Outstanding (mil) 161.0  
Market Capitalization (US\$m) 322  
Short Interest Ratio (days) 0.9  
Institutional Ownership (%) 0.0  
Insider Ownership (%) 12.3

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 2021 Estimate 102.5  
P/E using 2022 Estimate 22.6

Risk Level Above Average  
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)
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	16.4 A	42.7 A
2021	14.2 A	25.0 E	28.5 E	32.6 E	100.3 E
2022					200.0 E

### Earnings Per Share to Common Shareholder

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-0.010 A	-0.007 E	-0.015 R	-0.022 R	-0.039 R
2020	-0.012 A	-0.010 A	-0.015 R	-0.034 A	-0.078 A
2021	-0.006 A	0.006 E	0.009 E	0.012 E	0.024 E
2022					0.109 E

## WHAT'S NEW

### Management Gives 2021 Guidance of \$104 Million in Revenues Showing 144% Growth

On Tuesday, Peak Fintech management release revenue, net income and EBITDA guidance for 2021, 2022 and 2023 as follows:

	Revenue	EBITDA**	Net Income (Loss)
2020*	\$42.7M	(\$2.78M)	(\$5.5M)
2021	\$104.0M	\$12.5M	\$5.6M
2022	\$305.0M	\$59.0M	\$36.1M
2023	\$624.0M	\$155.0M	\$102.3M

Source: Peak Fintech

Its previous guidance from last year was \$50 million in revenues, but given its \$14 million quarter in Q1 that seemed quite low and we had raised our expectations to \$90 million. Investors had been waiting for the company's recent capital raise to be completed for updated information and the company is now looking for 2021 revenues of \$104 million with \$12.5 million in EBITDA (not adjusted) and \$5.6 million in net income, which could result in \$4.5 million to common shareholders or \$0.027 per share. The company expects EBITDA margins to grow from 12% this year to 25% by 2023.

We are raising our 2021 revenues to \$100 million due to the strong Q1 results and management's near term confidence due to high visibility. This would result in EPS of \$0.024 and put the company solidly in the black. For 2022 we are starting with an estimate of \$200 million. This is lower than guidance as the company has unannounced plans in the works that could raise that number up to its guidance. With CN\$56 million on cash on hand and a fully diluted share count of 184 million this puts its US market cap at US\$368 million and its enterprise value at US\$323 million. Using US\$79 million for 2021 estimated revenues, the stock is trading at 4.1xs EV to sales versus its peers who trade at 12.3 times.

### Q1 2021 Earnings Results

Peak Fintech started the year with a strong Q1, reporting revenue growth of 261% and lower losses. Spending was far below our estimates and sequentially much lower than expected. We imagine part of this was due to less cash available than expected as the company's capital raise was delayed by regulators seeking more information and caused the company to issue a revised annual information form for 2020.

During the call management predicted it would have positive net income in Q2 as well as again being EBITDA positive. Another interesting insight was that in Q1, half of the transactions in the quarter were generated by the new agreements signed in Q4 and among those was a surprisingly strong showing from social media influencers. They continued to work through the Chinese New Year in contrast to typical businesses.

Most of the revenues in the quarter were from low margin supply chain customers but the future growth is expected to come from higher margin services that will contribute gross margins between 50-60%. Adding to overall gross margin improvement will be the shift to using Gold River rather than outside suppliers which could cut costs 30% for Peak.

In Q1 2021, Peak increased revenues by 261% to \$14.2 million compared to \$3.9 million in Q1 of 2020. This was below our estimate of \$15 million due to a shortfall in fintech platform fees versus our estimate. The fintech platform combined with ASDS (the entity that manages the Gold River system) contributed a net \$13.4 million (94% of total revenues) compared to only \$2.8 million in 2020.

Revenue from ASCS (loan servicing fees) was \$231,067 in the quarter compared to \$233,713 last year, down 1%.

In Q1 2021 the bank (ASFC) reported loan interest of \$592,815 versus negative revenues of \$6,534 in Q4 2020 and \$960,372 in Q1 2020. In Q4 the company made a retroactive adjustment for Q2 and Q3 was recorded in Q4. To explain, ASFC charges additional interest and penalties on late payments to its customers. Before COVID, these charges were presented as income like other interest income. Before COVID, these amounts were non-material and often paid within 180 days. But with COVID, the amounts began to increase as of Q2. They were presented as revenues in the financial statements, and the receivable was part of the calculation of the provision for bad debt or expected credit loss (ECL). Net profits were presented correctly. However, the IFRS standards specify that the income generated on assets, which are already provisioned in class 3 (100%), must not be presented as income, but netted with the ECL provision. This had the effect of reducing Q4 income with an identical amount in reduction of the ECL provision. In Q1 2021, revenues are reported correctly. The company is now making higher quality loans and we expect lower interest generated than in the past.

Cost of sales applies to platform revenues and for Q1 2021 that margin declined from 10.1% in Q4 2020 to 8.0% and down significantly from the 16.5% in Q1 2020. The company has been taking action to get this margin to increase.

Expenses, not including outsourcing, were \$2.0 million a dramatic decline from the \$4.5 million in Q4 2020 and even a decrease from the \$2.5 million in Q1 2020. In Q4 2020 there were two one-time charges totally \$882,000 and in Q1 2020 there was a one-time expense from the expiration of deferred finance cost of \$353,377. If we take out the one-times, the operating expenses decreased \$163,000 in the quarter compares with a year ago. The expected credit losses in Q1 2020 were \$361,525 compared to \$19,893 this year easily making up for the difference.

The pretax loss was \$87,725 in Q1 2021 and \$651,558 in Q1 2020. After paying taxes and taking out minority interest, the loss to common shareholders was \$765,631 in Q1 2021 compared to a loss of \$892,776 in the Q1 2020. On a non-IFRS basis it was a loss of \$45,012 compared to a loss of \$470,000 last year.

The loss per share to common shareholders was \$0.006 compared to a loss of \$0.012 a year ago. On a non-IFRS basis taking out stock based compensation and the one-time expense we calculate non-IFRS loss of \$0.000 per share compared to a loss of \$0.006 in Q1 2020. During that time the share count increased over 67%. Adjusted EBITDA for Q1 2021 was \$121,737 versus \$172,045 a year ago.

## During the Quarter

In January, Peak signed an agreement with China UnionPay's subsidiary, Rongbang Technology, that will give it the ability to process payments, settle transactions, and transfer funds among lending institutions, banks, and the businesses that are part of its Lending Hub ecosystem. Peak's clients will have virtual bank accounts and Peak will earn transaction fees as well as a 1.5% to 3.0% annual fees on the aggregate value of the funds held in its clients' accounts. Transactions are expected to start being processed this quarter.

On January 28th Peak announced that beverage distributor Xiamen Guangzhui became the third distributor to join its wholesaler program. Xiamen has over 1,100 retail clients, including e-commerce giant [JD.com](http://JD.com).

On February 3rd Peak announced the launch of a new Cubeler Lending Hub financing program for [JD.com](http://JD.com) suppliers that will allow them to receive cash advances on product orders they get from JD. Suppliers of JD.com must pay product manufacturers in advance, but typically receive payment from JD two weeks after the products have been delivered to JD's warehouses. Peak will collect a fee based on a percent of the value the cash advanced.

In February the company announced that it had filed to list on NASDAQ.

On February 16<sup>th</sup> the shareholders of Peak approved a change of name of the company to “Tenet Fintech Group” and a reverse split of shares between 2:1 and 5:1. The board of directors was authorized to determine the ultimate consolidation ratio and whether or not to proceed with the split or the name change.

On February 24<sup>th</sup> Peak announced it added distributor Dajinpengli Trading and the national convenience store chain Bianlifeng to its platform.

In March Peak signed a strategic partnership agreement with ShopEx, to create an API link between the ShopEx platform and Peak’s Lending Hub platform that will allow data from online stores managed with the ShopEx applications to flow to the Lending Hub and help qualify the stores for loans and credit from the Hub’s banks and financial institution lending partners. The two will joint market and become authorized resellers of one another's products and services and earn referral fees from one another.

## **Balance Sheet**

Peak ended the quarter with \$4.1 million in cash. Working capital was \$28.1 million with the bank portfolio and a negative \$13.3 million without. Debt was \$312,000. Its loan portfolio was valued at \$19.5 million. In the future, if the company needed further cash it could sell off the 51% of the bank it owns, which is no longer a strategic need as it was in the early days.

As of May 31, 2021 the cash available to operate the company, including cash at ASFC for loan purposes, amounted to approximately \$2,370,000. On July 7, 2021, Peak completed and offering of 26.3 million units at \$2.00 for gross proceeds of CAD\$52.6 million. Each unit is comprised of one common share and one half of one common share exercisable at \$3.50 for a period of twenty-four months. The company paid a cash commission of \$3,682,000 and issued 1,841,000 agent's warrants at a price of \$3.50 for a period of twenty-four months from the date of issuance thereof to acquire one common share. The net proceeds will be used to help expand its services in China related to some recently announced partnerships, to expand its services to markets outside of China, as well as for working capital and general corporate purposes. It now has approximately \$56 million in cash in the bank.

## **Transactions During the Quarter:**

On January 28, 2021, the company granted 50,000 options to a new director at \$2.70 per share. On March 22, 2021, the company granted 110,000 options as part of an investor relations agreement at \$2.75 per share. The options are vesting at signing of the agreement and over a nine-month period following the date of granting and will be exercisable over a period of five years expiring in March 2026. From January 1, 2021 to April 30, 2021, the company issued 11,310,464 common shares for gross proceeds of \$4,583,594 from the exercise of warrants.

## **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 a \$19.5 million portfolio that it reinvests 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 and was, for the most part, collateralized by vehicles. Since the beginning of the pandemic its loan quality deteriorated significantly as businesses were shut down. The bank recently shifted its business to focus on less risky fully secured loans and to real estate. As a result the company expects it will generate less loan interest but at a lower risk profile allowing it to reverse some credit reserves. The percent of non-current loans continued to go down in Q1 due to this strategy.

**Gross Loans Receivable**

	3/31/19	6/30/19	9/30/19	12/31/19	3/31/20	6/30/20	9/30/20	12/31/20	3/31/21
Current	21,574,191	20,497,483	19,213,416	17,509,277	13,025,226	13,101,465	12,615,806	15,652,125	16,374,526
30-90 days	80,653	717,228	992,810	1,266,596	2,781,282	2,126,862	2,010,182	1,110,537	35,010
Over 90 days	235,670	404,952	646,037	1,013,710	2,185,414	3,439,835	3,900,619	3,246,443	3,705,805
% over 90 days	1.1%	1.9%	3.1%	5.1%	12.1%	18.4%	21.1%	16.2%	18.4%
Total over 30 days	316,323	1,122,179	1,638,847	2,280,306	4,966,696	5,566,697	5,910,801	4,356,980	3,740,815
% Non-current	1.4%	5.2%	7.9%	11.5%	27.6%	29.8%	31.9%	21.8%	18.6%
Total	21,890,514	21,619,662	20,852,263	19,789,583	17,991,922	18,668,162	18,526,607	20,009,105	20,115,341
Avg loan portfolio	18,607,820	20,455,634	20,779,256	NA	19,073,016	17,121,366	17,683,147	NA	NA
Effective avg interest rate	15.9%	17.3%	17.4%	NA	17.0%	15.5%	15.0%	NA	NA
Avg maturity	16.3	16.1	16.5	NA	17.7	16.4	16.4	NA	NA

**Subsequent Events**

From April 1, 2021 to May 30, 2021, Peak issued 5,885 shares to settle \$16,950 of debt related to consulting services.

From April 1, 2021 to May 31, 2021, it issued 2,095,833 shares for \$1,076,433 upon exercise of warrants.

From April 1, 2021 to May 31, 2021, Peak issued 15,000 shares for \$7,500 upon exercise of options.

On April 8, 2021 it issued 1,022,337 shares to finalize the acquisition of Wenyi for \$403,610.

**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.
- It generated \$53 million in revenues in its trailing twelve months and we expect it could reach \$100 million in annual revenues this calendar year versus \$43 million in 2020. Over half its transactions in Q1 2021 were from customers only signed on in Q4. It is EBITDA positive and expects to be profitable in Q2 2021 and beyond.
- The company has CN\$56 million in cash due to a recent capital raise and only CN\$300,000 in debt and is EBITDA positive.
- In February it filed to list on NASDAQ and shareholders authorized a reverse split of between 2:1 and 5:1 at the discretion of the board. We expect a NASDAQ listing possibly as soon as August.
- Peak plans buy Cubeler, the company from which it licenses its lending platform with stock under terms not yet decided. We expect that to happen by Q4. After that, it plans to launch its lending platform in Canada followed by the US, giving customers of both countries the ability to finance trade.
- Compared to its fintech peers who trade at an average of 12.3 times enterprise value to 2021 estimated revenues, Peak is currently trading at a fully diluted enterprise value US\$323 million or only 4.1 times EV/sales using a 2021 revenue estimate of US\$79 million. With a longer track record, a return to profits, and an uplisting, 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. It was founded in 2011, pivoted to its current business in 2017, and launched its platform solution in 2018. 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 \$20 million loan portfolio, secured primarily by borrowers' vehicles and real estate, that was 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 more than 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.

## VALUATION

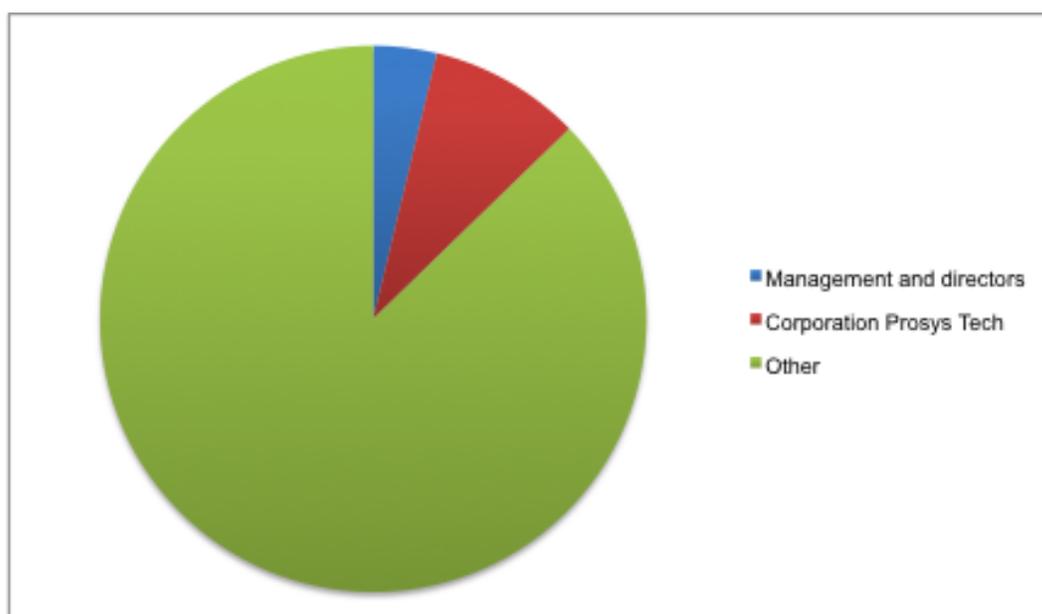
Given the lack of China-based fintech platforms, we are using the US names we think are as comparable. While the range is great based on margins and growth, we calculate an average of 12.3 times 2021 calendar estimates and taking out the low, Green Dot, and the high, Shopify. Based on this multiple and our estimate for Peak's 2021 sales of CN\$100 million or US\$79 million, and using fully diluted shares of 184 million, the enterprise value would be US\$972 million and the market value US\$1.02 billion. The stock price would be US\$5.53 per share if estimates prove accurate. To be conservative we are taking a 20% discount to account for Chinese operations, and estimate risk, and come up with a valuation of approximately US\$4.50.

Company	Ticker	Revenue		LTM	TTM		Enterprise Value / Sales			EV/ EBITDA	Enterprise Value	EBITDA Margin
		2022E	2021E		EBITDA	2022E	2021E	LTM				
<b>Fintech Platforms</b>												
Green Dot	GDOT	\$1,370	\$1,280	\$1,290	\$186	-0.1x	-0.2x	-0.2x	-1.0x	(194)	14.4%	
Intuit	INTU	NA	\$10,600	\$8,890	\$2,860	NA	13.0x	15.5x	48.3x	138,000	32.2%	
LendingTree	TREE	\$1,290	\$1,110	\$900	\$38	2.4x	2.8x	3.4x	81.7x	3,100	4.2%	
Lightspeed POS	LSPD	NA	\$412	\$222	-\$88	NA	25.4x	47.1x	-118.5x	10,450	-39.8%	
PayPal	PYPL	\$31,440	\$25,880	\$22,870	\$4,980	11.1x	13.4x	15.2x	69.9x	348,000	21.8%	
Shopify	SHOP	\$5,910	\$4,440	\$3,450	\$425	32.1x	42.8x	55.1x	447.3x	190,000	12.3%	
Upstart	UPST	\$800	\$601	\$297	\$35	10.5x	14.0x	28.4x	239.4x	8,420	11.9%	
Square	SQ	\$22,830	\$20,010	\$13,170	\$233	4.6x	5.2x	8.0x	451.4x	105,000	1.8%	
<b>Average</b>					<b>1,343</b>	<b>7.1</b>	<b>12.3</b>	<b>20.9</b>		<b>102,162</b>		

## 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 completely 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.
- Peak plans to enter the Canadian and US markets risking capital and effort and may not be successful due to better-funded and entrenched competition.
- 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 newcomer to the industry 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 2020 31-Mar	Q2 2020 30-Jun	Q3 2020 30-Sep	Q4 2020 31-Dec	Q1 2021 31-Mar	Q2 2021E 30-Jun	Q3 2021E 30-Sep	Q4 2021E 31-Dec	2020	2021E	2022E
ASSC Fintech Platform & ASDS	2,755,310	6,191,733	14,212,521	16,154,066	13,415,894	24,400,000	28,000,000	32,000,000	39,313,630	97,815,894	197,001,211
Yr-to-yr Growth	NA	952%	336%	382%	387%	294%	213%	125%	446%	149%	101%
<b>Outsourcing services</b>	2,104,150	5,422,993	13,385,347	14,695,677	12,347,170	21,472,000	23,240,000	25,600,000	35,608,167	82,659,170	157,000,968
Gross profit	651,160	768,740	827,174	1,458,389	1,068,724	2,928,000	4,760,000	6,400,000	3,705,463	15,156,724	40,000,242
Gross Margin %	16.5%	10.6%	6.2%	9.9%	8.0%	12.0%	17.0%	20.0%	9%	15%	20%
ASFC Loan interest (51% owner)	960,372	828,042	664,178	(6,534)	592,815	400,000	310,000	320,000	2,446,058	1,622,815	1,800,000
Yr-to-yr Growth	33%	-5%	-30%	-101%	-38%	-52%	-53%	-4997%	-29%	-34%	11%
ASCS Loan Servicing Fees	233,713	243,729	239,640	221,277	231,067	232,000	232,000	232,000	938,359	927,067	1,200,000
Yr-to-yr Growth	2%	-45%	-17%	53%	-1%	-5%	NA	NA	-15%	-1%	29%
<b>Sales</b>	<b>\$3,949,395</b>	<b>\$7,263,504</b>	<b>\$15,116,369</b>	<b>\$16,368,779</b>	<b>\$14,239,776</b>	<b>\$25,032,000</b>	<b>\$28,542,000</b>	<b>\$32,552,000</b>	<b>\$42,698,047</b>	<b>100,365,776</b>	<b>200,001,211</b>
Yr-to-yr Growth	316%	282%	236%	276%	261%	245%	89%	99%	265%	135%	99%
<b>Operating expenses:</b>											
Salaries and fringe benefits	323,809	389,120	386,676	759,604	723,860	900,000	1,100,000	1,300,000	1,859,209	4,023,860	4,426,246
Service fees	131,632	138,831	208,741	57,274	157,651	275,352	313,962	358,072	536,478	1,105,037	1,326,044
Royalty on software	30,873	26,028	47,469	35,854	30,776	30,776	30,776	-	140,224	92,328	-
Board remuneration	9,569	12,774	29,062	82,918	124,527	125,000	130,000	135,000	134,323	514,527	514,527
Consulting fees	325,716	527,285	1,181,765	1,823,743	62,869	100,000	300,000	400,000	3,858,509	862,869	2,500,000
Management fees	21,545	17,987	15,729	22,364	12,818	22,000	22,000	22,000	77,625	78,818	94,582
Professional fees	56,402	130,133	154,345	226,636	331,655	150,000	300,000	400,000	567,516	1,181,655	1,417,986
Administrative and indirect costs	236,111	1,717	(16,246)	390	-	55,000	55,000	55,000	221,972	165,000	198,000
PR and press releases	24,104	27,800	88,207	256,742	121,493	110,000	150,000	160,000	396,853	541,493	800,000
Office supplies, software and utilities	52,793	49,517	26,777	37,923	30,214	32,000	32,000	32,000	167,010	126,214	151,457
Lease expenses	11,533	11,571	11,570	11,409	11,570	11,570	11,570	11,570	46,083	46,280	55,536
Depreciation of right-of-use assets	106,753	126,245	137,209	36,555	69,157	70,000	70,000	70,000	406,762	279,157	120,000
Insurance	11,289	10,489	10,112	17,257	14,896	16,000	16,000	16,000	49,147	62,896	75,475
Finance costs	259,950	260,401	280,584	189,118	44,833	30,000	-	-	990,053	74,833	1,000,000
Expected credit loss	361,525	254,080	451	(373,463)	19,893	20,000	20,000	20,000	242,593	79,893	300,000
Travel and entertainment	46,832	35,424	55,943	66,860	34,002	50,000	75,000	200,000	205,059	359,002	430,802
Stock exchange and transfer agent costs	10,778	25,338	65,857	20,744	90,714	91,000	100,000	100,000	122,717	381,714	381,714
Translation costs and others	8,353	5,587	6,676	3,358	39,310	10,000	10,000	10,000	23,974	69,310	23,974
Loss on deposit of sub receiveable	-	-	-	97,150	-	-	-	-	97,150	-	-
Loss on extinction of debt	-	-	-	784,750	-	-	-	-	784,750	-	-
Gain on purchase	-	-	-	-	-	-	-	-	-	-	-
Impairment of intangible asset	-	-	-	-	-	-	-	-	-	-	-
Depreciation of property and equipment	21,370	21,785	21,495	22,281	22,337	22,400	22,400	22,400	86,931	89,537	80,000
Amortization	81,805	82,475	67,616	147,954	66,484	70,000	70,000	200,000	379,850	406,484	406,484
Expiration of deferred finance costs	353,377	-	-	-	-	-	-	-	353,377	-	-
Amortization of financing initial costs	348	348	10,441	7,787	6,651	5,000	5,000	5,000	18,924	21,651	21,651
Change in FV of conting. comp payable	-	-	(217,325)	-	-	-	-	-	(217,325)	-	-
Loss (gain) on foreign exchange	10,336	716	2,776	187,789	(35,379)	-	-	-	201,617	(35,379)	(45,993)
Total expenses	2,496,803	2,155,651	2,575,930	4,522,997	1,980,331	2,196,098	2,833,708	3,517,042	11,751,381	10,527,179	14,278,486
	2,143,426										
<b>Pretax income</b>	<b>(651,558)</b>	<b>(315,140)</b>	<b>(844,908)</b>	<b>(2,849,895)</b>	<b>(87,725)</b>	<b>1,363,902</b>	<b>2,468,292</b>	<b>3,434,958</b>	<b>(4,661,501)</b>	<b>7,179,427</b>	<b>28,721,756</b>
Pretax Margin	-16.5%	-4.3%	-5.6%	-17.4%	-0.6%	5.4%	8.6%	10.6%	-10.9%	7.2%	14.4%
Income taxes	154,137	223,763	123,504	350,606	301,977	245,502	444,293	618,292	852,010	1,610,064	7,180,439
Tax rate	-24%	-71%	-15%	-12%	-344%	18%	18%	18%	-18.3%	22.4%	25.0%
Net income	(805,695)	(538,903)	(968,412)	(3,200,501)	(389,702)	1,118,400	2,023,999	2,816,666	(5,513,511)	5,569,363	21,541,317
Non-controlling interest	87,081	177,983	350,015	487,831	375,929	223,680	404,800	563,333	1,102,910	1,567,742	1,567,742
Net income to common shareholders	(892,776)	(716,886)	(1,318,427)	(3,688,332)	(765,631)	894,720	1,619,200	2,253,332	(6,616,421)	4,001,621	19,973,575
Currency translation adjustment	(1,264,221)	809,770	(472,282)	(212,722)	546,909	-	-	-	(1,139,455)	546,909	-
Total comprehensive income	458,526	(1,348,673)	(496,130)	(2,987,779)	(936,611)	1,118,400	2,023,999	2,816,666	(4,374,056)	5,022,454	21,541,317
Stk based compensation	69,202	78,290	112,920	282,420	344,690	380,000	400,000	400,000	542,832	1,524,690	1,524,690
One-time expenses	353,377	-	-	881,900	-	800,000	-	-	920,802	800,000	-
Non-IFRS Inc to common shareholders	(470,197)	(638,596)	(1,205,507)	(2,524,012)	(45,012)	2,298,400	2,423,999	3,216,666	(5,152,787)	6,326,311	21,498,265
<b>EPS to common shareholder</b>	<b>(0.012)</b>	<b>(0.010)</b>	<b>(0.015)</b>	<b>(0.036)</b>	<b>(0.006)</b>	<b>0.006</b>	<b>0.009</b>	<b>0.012</b>	<b>(0.078)</b>	<b>0.024</b>	<b>0.109</b>
Non-GAAP EPS to common shareholder	(0.006)	(0.009)	(0.010)	(0.025)	(0.000)	0.015	0.013	0.017	(0.055)	0.038	0.117
									103%	-169%	206%
<b>Shares</b>											
Basic	73,783,060	74,291,302	86,648,682	102,300,000	123,366,116	131,950,341	160,960,341	162,000,000	85,341,803	144,569,200	162,000,000
Yr-to-yr Growth	9%	10%	26%	48%	67%	78%	86%	58%	24%	69%	12%
Fully diluted	73,783,060	74,291,302	124,418,000	122,417,775	143,483,891	152,068,116	183,960,341	183,960,341	93,789,463	165,868,172	183,960,341
									77%	11%	11%
Adjusted EBITDA	\$172,045	\$176,113	(327,563)	(2,446,200)	86,358	1,561,302	2,635,692	3,732,358	(1,858,179)	8,015,710	30,303,899

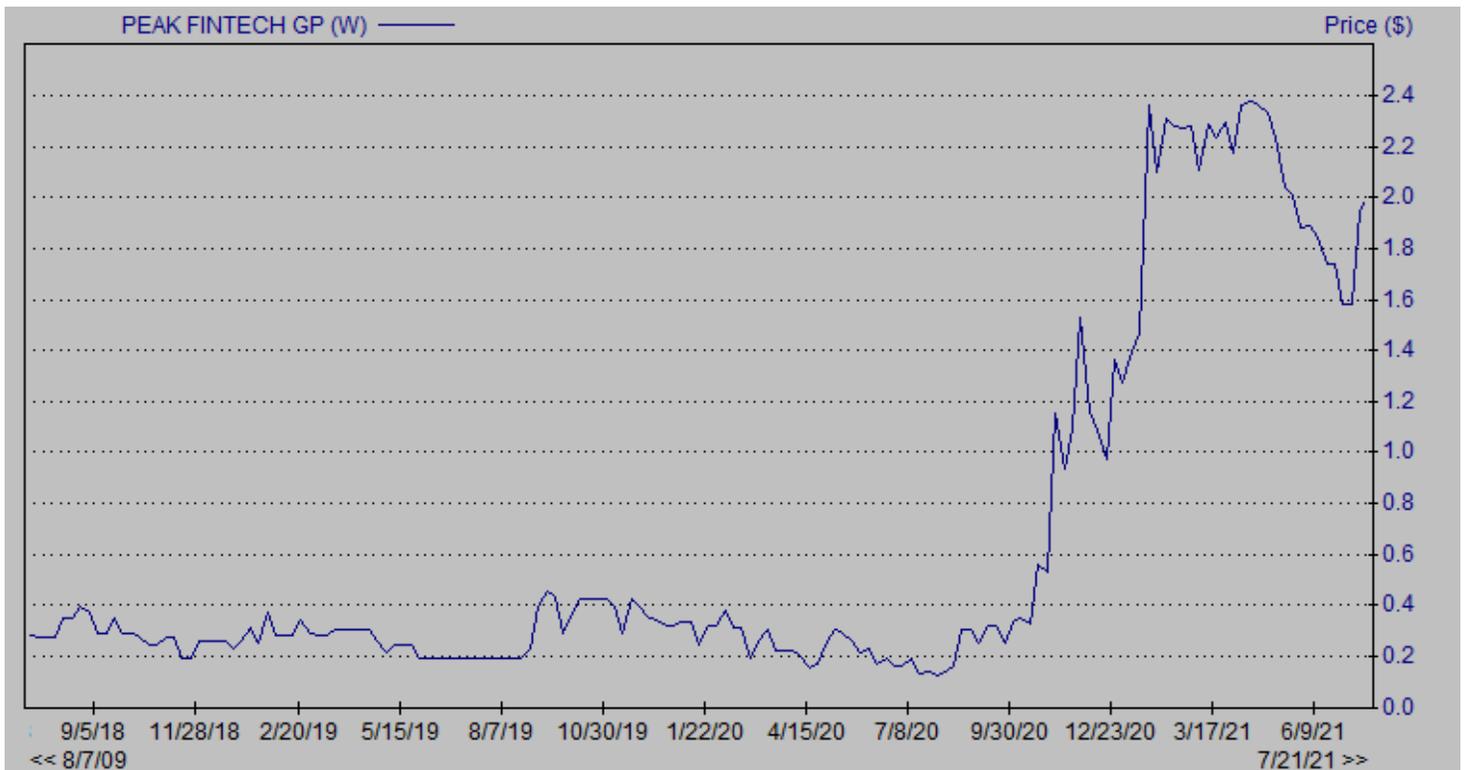
## BALANCE SHEET

	Mar 31, 2021	Dec 31, 2020	Qtr-Qtr % Change	March 31, 2020	Yr-Yr % Change
<b>Current assets</b>					
Cash	\$4,122,403	\$5,873,876	-30%	\$5,095,395	-19%
Restricted cash	\$80,131	\$80,091	0%	\$0	NA
Loans receivable	15,581,704	15,425,242	1%	11,010,422	42%
Assets held for sale	300,134	183,732	63%	0	NA
Accounts receivable	26,213,087	28,834,941	-9%	3,732,472	602%
Debtors	6,061,191	1,740,416	248%	1,052,828	476%
Deposits for investments	194,900	194,900	0%	0	NA
Prepaid expenses	1,406,224	989,718	42%	2,364,047	-41%
Total current assets	53,959,774	53,322,916	1%	23,255,164	132%
Loans receivable	3,951,871	3,999,446	-1%	6,241,789	-37%
Property and equipment, net	547,379	529,372	3%	712,669	-23%
Intangible assets	3,396,331	3,163,877	7%	2,627,081	29%
Deferred tax assets	291,931	291,931	0%	0	NA
TOTAL ASSETS	62,147,286	61,307,542	1%	32,836,703	89%
<b>Current liabilities</b>					
Accounts payable and accruals	23,975,754	26,559,427	-10%	6,090,518	294%
Lease liabilities	177,415	117,709	51%	340,573	-48%
Current tax liabilities	1,700,296	1,568,626	8%	593,762	186%
Debentures	0	23,311	-100%	3,148,595	-100%
Conversion option	0	3,489	-100%	24,423	-100%
Contingent compensation payable	0	0	0%	254,586	-100%
Total current liabilities	25,853,465	28,272,562	-9%	10,452,457	147%
<b>Long-term liabilities</b>					
Debentures	0	0	0%	143,374	-100%
Bonds	271,825	258,933	5%	0	NA
CEBA loan	40,000	40,000	0%	0	NA
Lease liabilities	190,123	121,798	56%	24,188	686%
Total long-term liabilities	501,948	420,731	19%	167,562	200%
TOTAL LIABILITIES	26,355,413	28,693,293	-8%	10,620,019	148%
<b>Stockholder's equity</b>					
Capital stock	44,425,733	39,131,010	14%	25,635,525	73%
Shares to be issued	511,221	511,221	0%	493,414	4%
Contributed surplus	10,402,164	11,582,653	-10%	9,736,016	7%
Equity component of converts	0	0	0%	57,299	-100%
Accumulated other comp income	(568,734)	(140,782)	304%	210,010	-371%
Deficit	(31,006,003)	(30,240,372)	3%	(24,516,726)	26%
Shareholder's equity to owners of parent	23,764,381	20,843,730	14%	11,322,152	110%
Non-controlling interest	12,027,492	11,770,520	2%	10,894,533	10%
Total stockholders' equity	35,791,873	32,614,250	10%	22,216,685	61%
Total liabilities and stockholders' equity	\$62,147,286	\$61,307,543	1%	\$32,836,704	89%
Quick Ratio	2.1	1.9	11%	2.2	-6%
Working Capital	28,106,309	25,050,354	12%	12,802,707	120%
Working capital minus bank	(13,328,860)	(18,647,450)	-29%	(8,660,172)	54%
Net cash	4,122,403	5,873,876	-30%	5,095,395	-19%
Net cash as % of assets	7%	10%	-31%	16%	-57%
Debt	\$311,825	\$322,244	-3%	\$3,291,969	-91%
Debt % of assets	1%	1%	-5%	10%	-95%
Loan portfolio	19,533,575	19,424,688	1%	17,252,211	13%

## CASH FLOW

	Year 2019	3 Mo. Ended 3/31/20	3 Mo. Ended 6/30/20	3 Mo. Ended 9/30/20	3 Mo. Ended 12/31/20	Year 2020	3 Mo. Ended 3/31/21
<b>Operating activities:</b>							
Net loss	(1,830,362)	(805,695)	(538,903)	(512,874)	(3,656,039)	(5,513,511)	(389,702)
<b>Non-cash items</b>							
Loss on deposit & subscription receivable	86,400	-	-	-	97,150	97,150	-
Depreciation of property and equipment	47,548	21,370	21,785	21,495	22,281	86,931	22,337
Issuance of shares for settlement of debt	243,000	291,878	121,301	702,798	(1,115,977)	-	15,000
Expected credit loss	264,378	361,525	254,080	451	(373,463)	242,593	19,893
Amortization of intangibles	595,079	81,806	82,475	67,616	147,953	379,850	66,484
Amortization of initial cost debenture	30,217	348	348	10,441	7,787	18,924	6,651
Depreciation of right-of-use assets	407,611	106,753	126,245	137,209	36,555	406,762	69,157
Impairment of intangible assets	584,189	-	-	-	-	-	-
Share-based compensation	378,091	69,202	78,290	112,920	282,420	542,832	344,690
Accretion of conv. Debentures	553,842	139,229	139,449	147,475	97,697	523,850	6,924
Accretion of lease interest	44,868	-	-	-	30,426	30,426	6,435
Consult. Fees settled by shares and warrants	-	-	-	-	3,196,170	3,196,170	-
PR expenses settled by shares and warrants	-	-	-	-	101,520	101,520	-
Change in FV of cont. compensation payable	259,000	-	-	-	(217,325)	(217,325)	-
Loss on settlement of debt	816,793	-	-	-	784,750	784,750	-
Gain on bargain purchase	(941,000)	-	-	-	-	-	-
Expiration of deferred financing costs	-	353,377	-	-	-	353,377	-
Loans receivable maturing in more than 12 mo.	1,565,523	1,954,760	2,597,505	925,704	(1,280,866)	4,197,103	47,575
Interest charges	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-
<b>Changes in working capital accounts</b>							
Income taxes payable	494,631	93,183	161,534	135,870	572,269	962,856	131,670
Deferred income tax expense	(88,014)	-	-	-	(203,917)	(203,917)	-
Debtors	43,221	-	-	-	6,651	6,651	(48,295)
Accounts receivable	(2,657,029)	(1,081,329)	(2,600,892)	(11,830,148)	(10,614,280)	(26,126,649)	2,621,809
Loans receivable maturing in less than 12 mo.	(1,839,755)	(178,859)	(3,291,700)	(771,742)	(416,180)	(4,658,481)	(292,755)
Lease receivables	-	-	-	-	-	-	-
Prepaid expenses	(447,027)	(1,080,436)	1,768,492	95,999	(943,111)	(159,056)	(416,506)
Accounts payable and other liabilities	1,160,824	(297,201)	1,218,369	10,732,424	9,389,253	21,042,845	(2,316,749)
Net cash used by operating activities	(227,972)	29,911	138,378	(24,362)	(4,048,276)	(3,904,349)	(105,382)
<b>Investing activities:</b>							
Investment in intangible assets	(697,070)	(346,503)	(207,713)	(345,740)	(158,329)	(1,058,285)	(325,783)
Property and equipment	(192,738)	(26,993)	9,070	(3,630)	5,413	(16,140)	4,393
Right of use asset	-	-	-	-	-	-	-
Debtors	(790,139)	210,830	177,726	(342,862)	(631,222)	(585,528)	(4,297,435)
Deposit for investments	-	-	-	-	(194,900)	(194,900)	-
Net cash used in investing activities	(1,679,947)	(162,666)	(20,917)	(692,232)	(979,038)	(1,854,853)	(4,618,825)
<b>Financing activities:</b>							
Shares to issue	-	-	265,000	-	(265,000)	-	-
Debenture to be issued	110,000	(110,000)	-	-	110,000	-	-
Issuance of debentures	280,000	160,000	288,159	-	(398,159)	50,000	-
Payment of debenture	(40,000)	-	-	-	-	-	-
Proceeds from issuance of bonds & warrants	-	-	-	-	292,464	292,464	-
Subscription receivable	250,000	-	-	-	-	-	-
Advance from third parties	1,800,281	1,889,054	-	-	(420,494)	1,468,560	(89,675)
Advance from a director	298,400	21,920	-	-	(21,920)	-	-
Repayment of advances from director	-	-	-	-	-	-	(261,316)
Proceeds from adv. made from affiliates	-	-	-	-	40,134	40,134	102,966
Repayment of demand loans	-	-	-	-	(27,489)	(27,489)	-
CEBA loan	-	-	40,000	-	-	40,000	-
Repayment of lease liabilities	(460,361)	(172,473)	(74,423)	(101,198)	(169,076)	(517,170)	(12,592)
Non-controlling interest	-	-	(18,799)	446,671	(427,872)	-	-
Issuance of shares	640,000	545,000	73,000	2,843,384	981,116	4,442,500	-
Proceeds from exercise of warrants	-	-	-	-	2,890,750	2,890,750	3,708,161
Proceeds from exercise of options	-	-	-	-	261,250	261,250	25,000
Net cash used in financing activities	2,878,320	2,333,501	572,937	3,188,857	2,845,704	8,940,999	3,472,544
Impact of foreign exchange	(1,269,302)	1,177,140	(987,752)	122,267	743,007	1,054,662	(499,771)
Net change - cash	(298,901)	3,377,886	(297,354)	2,594,530	(1,438,603)	4,236,459	(1,751,434)
Cash, beginning	2,016,410	1,717,509	5,095,394	4,798,040	7,392,570	1,717,509	5,953,968
Cash, end of period	1,717,509	5,095,395	4,798,040	7,392,570	5,953,967	5,953,968	4,202,534
Cash flow - ex changes in working capital	3,105,177	2,574,553	2,882,575	1,613,235	(1,838,961)	5,231,402	215,444
Free cash flow	2,215,369	2,201,057	2,683,932	1,263,865	(1,991,877)	4,156,977	(105,946)

# HISTORICAL STOCK PRICE



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