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Zacks Small-Cap Research

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Pond Technologies Holdings Inc. (V.PON - TSX-V)

POND.V & PNDHF: Initiating Coverage – Emerging Technology ESG Play with Many Growth Drivers from Scalable Protein-Rich Algae & Emissions Reduction

Based on a 15% premium to peer group industry average of 3.7x EV/Sales for 2022 applied to our 2023 Sales estimate (full year commercialization), the stock could be worth $1.00 CAD per share for POND.V on TSXV & $0.80 USD for PNDHF

Current Price (11/17/21)	$0.40 CAD
Valuation	**$1.00 CAD**

OUTLOOK

We are initiating coverage of Pond Technologies Holdings Inc (TSX.V: POND) with $1.00 CAD price target and $0.80 USD for OTCQB ticker (PNDHF).

Pond Technologies has a proprietary platform for high-scale growth of protein-rich algae while removing carbon dioxide (CO_2) from the atmosphere. End products can be used in animal feed, aqua farming, nutraceuticals and possibly human diagnostics, therapeutics or biopharma later on.

Recent joint commercialization agreement with Livalta (AB Agri) for animal feed ingredients is very compelling. Multiple paths of revenue growth model.

SUMMARY DATA

52-Week High (CAD)	**$0.80**
52-Week Low (CAD)	**$0.23**
One-Year Return (%)	**96**
Beta	**1.47**
Average Daily Volume (sh)	**62,564**
Shares Outstanding (mil)	**47.4**
Market Capitalization ($mil)	**$19.0**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**10**
Insider Ownership (%)	**18**
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	**N/A**
P/E using 2022 Estimate	**N/A**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Consumer-Food Agri**

ZACKS ESTIMATES

Revenue
(in millions $ CAD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	1.1 A	1.0 A	1.3 A	1.4 A	4.8 A
2021	1.5 A	0.7 A	2.2 A	2.3 E	6.7 E
2022	2.1 E	1.8 E	2.9 E	3.0 E	9.8 E
2023	2.8 E	2.5 E	3.6 E	3.7 E	12.6 E

EPS
($ CAD, Adjusted)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020					-$0.15 A
2021	-$0.02 A	-$0.02 A	-$0.01 A	-$0.02 E	-$0.07 E
2022	-$0.02 E	-$0.01 E	-$0.01 E	-$0.01 E	-$0.05 E
2023					-$0.03 E

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

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INITIATION OF COVERAGE

- We initiate coverage of Pond Technologies Holdings Inc. (POND.V on TSX Venture Exchange) with a valuation price target of $1.00 CAD & $0.80 USD for the OTC shares (PNDHF on OTCQB).

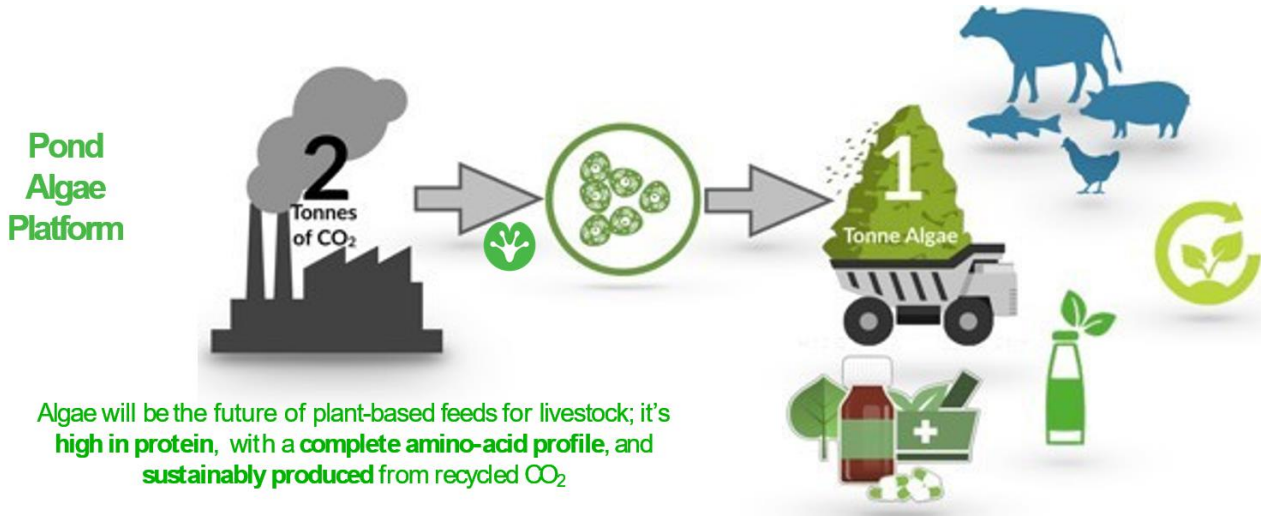
- Pond Technologies is a carbon conversion technology company using its algae growth platform and already has revenues. Its unique integrated proprietary platform grows microalgae rapidly in large-scale amounts and in a cost-effective manner without requiring arable land. Its platform applies the natural power of algae strain to absorb carbon emissions waste from stack gas emitters. Then, the resultant algae protein strains can be transformed into valuable products or blends sold into supplements, animal feed, fish feed aquaculture, human nutraceuticals, beverages or food additives.

- Pond's fully integrated systems and bioreactor tanks can generate the appropriate growth conditions using illumination, dosing and continuous harvesting of productive algae for paste, powder or dehydrated pellets.

- The company has figured out not only how to capture the bad carbon dioxide emission from smokestacks, but also how to create multiple revenue streams from various strains of algae. Their algae growing platform eats up carbon dioxide emissions as a food to grow microalgae in closed tanks under fully-controlled computerized interior conditions. Then, harvested algae or extracted ingredients can be sold for revenues.

- Headquartered in Canada (Greater Toronto Area in Ontario). R&D in Markham, a 10,000 sqf algae production facility in British Columbia and a demonstration plant in Ontario. IFRS accounting.

- Formerly named Ironhorse Oil & Gas Inc. until a reverse takeover in January 2018 raised $9 million. Shares began trading in February 2018 on the TSX Venture Exchange under the trading symbol POND.V. OTC shares began trading under symbol PNDHF in January 2020. A predecessor company founded in 2008 had primary focus on biofuel from algae to compete against crude oil.



Source: Company's Investor Presentation

- **Multiple Revenue Opportunity Sets are unique for Pond Technologies**. Lots of angles to play here. Its end markets potential is numerous with sizeable potential for this emerging use and penetration of algae for various purposes. **Proof of Concept demonstrated** with St. Mary's Cement, CSV Midstream, Livalta (AB Agri) underway and prior win with BioCarbN.

- **Vertical Integration, along with embedded optionality for future revenue streams, are important points highlighted throughout this report.** Step-function progression is underway for the company's evolution into higher-margin and larger end markets.

- Biomass cultivation & carbon sequestration play with several viable revenue paths to benefit from usage of its proprietary technology growth platform and know-how along with intellectual capital. **Pollution abatement and algae usage end markets are an emerging theme with a long runway.** Pond Technologies is teaming up to help big polluters (cement plants, steel manufacturing, power plants, gas producers, etc.) to help them reduce atmospheric contamination.

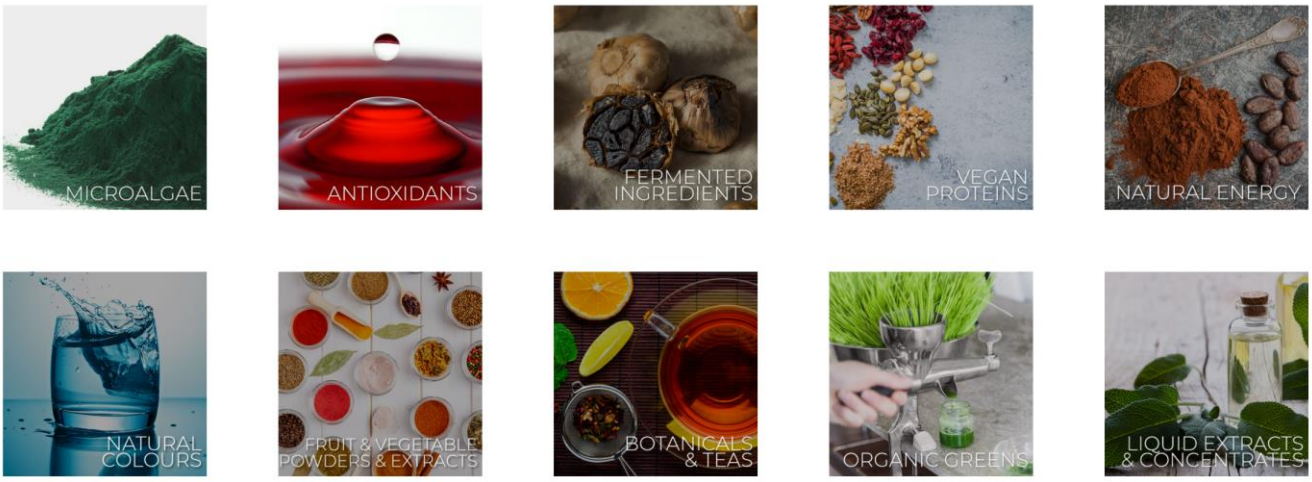
- **Double-benefit (emissions reduction + monetization of resultant byproduct) of algae creation in large scale**, which can be processed and included into nutraceuticals, animal feed (cattle, etc.), fish feed (aquafarming & wild fisheries), cosmetics and soil amendments. Over the next few years, it is possible that diagnostic reagents become a revenue stream. Possibly human therapeutics too incorporating algae instead of mammalian cells because algae scales-up faster, offers more control of the cells, produces more complex molecules than bacteria & yeast at a substantially lower cost.

  Carbon tax credits and public relations marketing benefit for Pond's customers to lower their carbon footprint. This can boost ESG commitments and performance while stimulating green tech adoption.

- **From our research, we reached the conclusion that algae will become a major component of feedstock for cattle and other livestock.** Plant-based protein is more easily digestible than red meat and soy. Algae is more cost effective and will help conserve grazing and deforestation of arable land. As well as lower methane emissions. **Animal Feed is a huge opportunity for POND**.

- **Revenue Streams from**:
  a) Sale of its patented proprietary equipment platform solution & engineering support to emitters
  b) Sale of control systems with artificial intelligence and operating analytics technology
  c) Licenses and Access Fees to its technology
  d) Processing and blending of algae product into usable formats for many end markets
  e) Royalty Streams (3-8% fee income stream to POND from commercialization)

Nutraceutical Ingredients Examples from its "Pond Naturals" Division:



Source: Company provided

- **POND Helps Solve Three Important Sustainability Issues:**

  1) Greenhouse Gas Emissions Reduction by removing 2 tons of carbon dioxide (CO_2) for every 1 ton of algae created. Pond's systems can scaled up to meet customer's required tons of algae annually.

  More than 10,000 different industrial facilities, power or energy locations in North America create more than 100,000 tons of CO_2 annually each. 45% of carbon emissions in the US come from Oil & Gas operations and fossil fuel burning. 25% comes from the production of cement, steel and plastic. 20% from electricity generation and heating. **Whereas Algae consume carbon dioxide and releases oxygen into the air to help reduce harmfully high CO_2 levels in our atmosphere.** Scientists estimate that algae produce 50% of the world's oxygen (mostly from the ocean algae).

  Algae is more helpful for oxygen production than trees! Pond's bioreactor harvesting technology can be 100+ times more effective at carbon capture than the same footprint of trees and also much quicker growth. Fertile land is not required because algae can be grown indoors and very scalable. Algae-derived nutrient-rich supplement save a tremendous amount of water and land.

  2) Sustainable Ingredients for Nutraceuticals, Food Supplements, Cosmetics & Beverages with the algae byproduct created. Algae can yield superfoods dietary supplements like Spirulina (66-70% protein or 3x the amount of protein per 100 grams of beef, plus has Omega fatty acid benefit) or Chlorella. Astaxanthin can be used as antioxidant in fish feed additives and the pink color of salmon, shrimp and trout or as a human supplement for immune system enhancement or as a natural preservative in CBD oils. Food dyes of deep greens, bright yellows, vibrant reds or blue.

  Skin cosmetics are using algae (green, brown, red) for skin moisture, smoothing, anti-inflammatory and anti-aging benefits. Human collagen has similarities to the amino acid content of green algae.

  Phycocyanin can be extracted from Spirulina for blue food coloring applications like blue M&M's, smoothies or as fluorescent tracers in genetics. The FDA approved Spirulina in 2013 for extract additive in candy, gum, frostings, ice cream, frozen desserts, beverage mixes & powders, yogurts, ready-to-eat cereal, gelatin, gel coatings for tablets. Blue Spirulina can sell for $100-150/kilogram.

  3) Protein Alternatives for animal feed, fish food and possibly human food or therapeutics. Double-benefit of feedstock inclusion and for protein replacements instead of cows. This is vital because of constrained agriculture around the world and rising protein consumption by humans. North America is notoriously known for its meat-heavy diet rather than seafood-centric Europe. 65-70% of agricultural land in North America is used for beef production (livestock grazing; namely cows & lamb), which in turn causes deforestation, water contamination and biodiversity loss. Beef uses up 65% of the world's agricultural land for only 24% of meat consumption. Meat replacements are highly needed like plant-based protein foods.

  Human-grade food ingredients is possible and already exists in some categories. We are not talking about a meatless Impossible Burger or Beyond Burger made entirely of algae instead of modified plant soy. Rather a subtle additive base of algae molecules, which behave and taste like meat.

- **Current business model end markets laser focus began in 2017.** Originally, when the company was founded in 2008, the company set out to make biofuel from algae ("biocrude" where algae could be up to 60% of the oil). However, biofuel from algae was only economical if Oil price would exceed $100 and if a tremendous amount of water was easily available nearby. More than a dozen companies, including Pond Biofuels, Algenol Biofuels, Solix Biofuels, Sapphire Energy, Solazyme, Seambiotic and others failed to produce a cost-competitive subsite for petroleum.

  While a noble attempt at biofuel for several years, the company today is now laser-focused on algae into nutraceuticals, food coloring, animal feed, diagnostics, and other profitable usages. We assign no value (zero) to biofuel over the next few years due to being uneconomical with WTI below $100.

- Licensing out its intellectual know-how and technology platform for specific customers, access fees, operating the algae plant (the customer's decision), arranging for algae sales and system designs.

- Nutraceuticals became the company's core revenue driver in 2019. Commercialization stages for other uses are on the earlier side, which is why the company remains unprofitable and has relied on non-operational sources of funding. Importantly, a recently signed agreement in September 2021 offers visibility for 2022 revenues. If more of those come to fruition and become signed in the near-term, the company could rely less on raising additional capital or a lesser extent.

- **2:1 Ratio of Biodigestion. Two tons of tons of CO_2 are removed for every one ton of algae produced.** Pond's platform for processing Carbon Dioxide (CO_2) and turning into algae also recycles the water three to four times. Customers can earn a carbon credit by installing Pond's tech.

- **ESG angle of combatting climate change and sustainable feed sources are compelling.** Pond Technologies set out on a journey to tip the scales with its Carbon Dioxide (CO_2) removal and resultant algae usage. Sustainable animal feed solutions and human-grade opportunities.

- Scaling up the volume of algae creation, along with control over the cells, is helped by POND's patented advanced photonics, programming of software, sensors and monitoring.

- **Additional Proof of Concept win in September in the UK with Livalta (AB Agri) validates its Animal Feed route**. Whereas the company had already achieved proof of life wins in other areas such as natural gas, cement, steel, nutraceuticals usage. We eagerly await an announcement for therapeutic reagents and then possibly a human grade biopharma later.

- **Sales could growth 40% this year as topline acceleration is underway since the summer.**

- **Sales could grow 45% in 2022 to $9.8 million driven by the Livalta (AB Agri) agreement. For 2023, we forecast 29% Sales growth to $12.6 million** driven by technology access and royalty component of the second part of Livalta agreement. Backing out the Livalta revenue contribution assumptions for 2022 & 2023, we forecast 9% underlying organic growth in 2022 & 16% in 2023.

- **Breakeven adjusted EBITDA could be achieved in calendar 2023**. Gross margin could expand by 750 bps to 28% in 2021. We forecast a similar gross margin for 2023 as the company benefits from a higher-margin contribution from technology access fees and royalty fee in 2023.

- **Risk/Reward is attractive** based on multiple revenue paths, probabilities and ESG theme.

- **$1.00 CAD per share is our stock price worth target based on our 2023 Sales forecast (first full year of commercialization deal with Livalta) and by applying a 15% premium to the peer group average of 3.7x EV/Sales 2022**. 15% premium is warranted for the embedded optionality of signing one additional sizeable contract in the near-term for new revenue streams within its Carbon division. ESG stocks have also been commanding a premium valuation in recent years.

- **Bull Case could be $1.25 CAD** stock price target if two deals (instead of one) are signed over the next 18 months similar in revenues size to the Livalta (AB Agri) agreement in September.

- **Bear Case downside could be $0.20 CAD** versus today's stock price of $0.40 with support from its proof-of-concept success, intellectual property, relationships, licensing opportunities, tax loss carryforwards and ESG angle worth. Keep in mind that additional capital raises and warrants exercise are likely to dilute with increased share count going forward. However, its topline growth prospects and a path to breakeven adjusted EBITDA in 2023 offers an attractive risk/reward.

INVESTMENT THESIS

Investment Thesis

Pond Technologies has set out to do good for planet's sustainable future and is positioned to benefit from net-zero emissions climate crisis urgency through carbon dioxide and greenhouse emissions reduction. The company's proprietary algae-growing platforms can attach directly to smokestacks of factories or large manufacturing and processing facilities or to power plants. Algae absorbs and soaks up carbon emissions, while also releasing oxygen-rich air back into the atmosphere.

Its proprietary developed technology platform accelerates the growth of algae indoors in a controlled environment (lighting, temperature range, computerized optimization). Then harvests and transforms the algae created into high-value products like ingredients for nutraceuticals, antioxidants, vegan proteins, Spirulina, animal feed, fish feed, CBD oil and possibly diagnostic kits and human-grade therapeutics.

ESG theme angle is not only for more sustainable and greener air, but also the sustainability of animal feed, human supplements and possibly expansion into human applications and diagnostic reagents.

POND is not only helping to reduce the world's most abundant nasty byproduct from industrial & Oil/Gas production emissions, but is also simultaneously a beneficiary of monetizing the algae production created during carbon-capture from smokestacks, chemical processing or factories. POND's approach also conserves water and arable land.

Vertical integration and a scalable rapid-growth platform for algae are differentiators for POND.

We like how POND has nixed its prior efforts with biofuel algae routes and exited its Oil & Gas operations. Today, POND has a much better opportunity to be a disruptor in growing end markets.

Inflection Point achieved in September 2021 with an important signed agreement made with Livalta (AB Agri, part of Associated British Foods) for Animal Feed output. We deem this a major step in validation of proof of concept and viability, which we go into more detail about on page 12.

Vertical Integration + Multiple Revenue Components = Compelling Stock

1. Greenhouse Gas Reduction of Carbon Dioxide (CO_2)
2. Nutraceuticals, Food Additives, Cosmetics applications
3. Animal Feed & Fish Feed substitute
4. Optionality for possible complex human-grade protein usage in Biopharma or Therapeutics. Also opportunities such as Methane Reduction or Eco-Friendly applications (biodegradable flip-flops)

- Royalties received by POND could average 5% (5% typically, 3-4% for multiple plants deal, 7-8% if Biopharma, Diagnostics or Biotech success)
- 19 Patents for its extensive Intellectual Property portfolio in US, Europe, Taiwan, China & Middle East
- "Clean, Green & Vegan"
- GMP (Good Manufacturing Practices) compliant certification in October 2021 for food safety at its plant allows future wins of larger food companies as potential customers

Algae's Benefits & Essential Nutrients:
As a child, we were told not to swim in ponds or poorly maintained swimming pools with algae floating. Stigma that might still lurk in the memories and heads of many people. While bacteria feeding on algae can be harmful and produces toxins when human bodies come in contact while swimming in it, we do not get rashes, skin or throat irritation, headaches or respiratory issues when it is properly processed and transformed into an edible format.

Quite the opposite for micro algae, which offers a variety of nutritional benefits and is considered the cheapest form of protein (60-70% of its dry weight is protein).

Spirulina: the Aztecs (Mexico) are believed to have consumed great quantities of this in the 1400's according to Spanish writings and drawings of harvesting it from lakes by boat before drying it out in the sun to form edible cakes. Spirulina from algae even made its way into Mexican salsa verde early on. In the late 1960's & 1970's, Spirulina became a well-studied and proven nutrient-rich dietary supplement.

NASA used Spirulina and Chlorella on several space missions and training. Blue-green algae biomass that can function as a dietary supplement or a whole food for humans, animals, poultry and aquaculture.

Spirulina contains three times the amount of useable protein as beef. 100 grams (equivalent size of a small hamburger patty) can provide 57 grams of protein (103% of an average man's recommended daily value intake) despite being only 15% of daily calories and 12% of fat. It also provides 20-30% of other daily essential nutrients for humans. Compared to 100 grams of chicken breast, Spirulina has 110% the amount of protein of chicken breast.

Spirulina is one of the most nutrient-dense foods on Earth. Studies show it can lower the bad LDL cholesterol and raising the good HDL. It is used as both supplements and ingredients in many things like smoothies, protein bars and even falafels in Israel!

Astaxanthin: can be derived from microalgae and is known for causing the pink-red color in salmon, shrimp, lobster and pink flamingos because it is a food source. It has a myriad of important applications as a fish feed additive, pigment in food coloring, nutraceuticals and cosmetics (anti-aging & skin moisture). Human nutritional supplements for antioxidant benefits for healthier skin, muscle & joint pain, endurance and possibly heart health. It is one of the most popular antioxidant supplements today. Early research notes treatment speed acceleration for Alzheimer's Disease and Parkinson's Disease.

Aquaculture fishmeal for wild fisheries and fish farms for salmon, trout, carp, tilapia, catfish.

Regenurex is the brand name owned by POND for selling Astaxanthin, as well as selling it through white label contracts. Regenurex is sold to health food stores, distributors and direct-to-consumers.

Phycocyanin: can be extracted from Spirulina for blue food coloring applications like blue M&M's, smoothies, or as fluorescent tracers in genetics. The FDA approved Spirulina in 2013 for extract additive in candy, gum, frostings, ice cream, frozen desserts, beverage mixes & powders, yogurts, ready-to-eat cereal, gelatin, coatings for tablets. $100-150 per kilogram selling price.

Chlorella: the green unicellular algae that is cultivated, harvested and processed often into dry powder or supplements tablet format. Bona fide superfood! It came into wide human use in Japan after World War II to help feed Japan's population. High in nutrients, Vitamin B12, Vitamin A, Amino Acids and an impressive growth factor, it can also be used in fortifying the body's immune system, digestive system support. The main differences between Chlorella and Spirulina are that it digests slower than Spirulina and has a higher percentage of Vitamin A, iron, zinc and Omega-3. Protein percentages are equal.

Gross Margin could expand by 750 bps in 2021 to nearly 28% and be 27% in 2023 because of a higher-margin contribution mix from technology access fees and royalty fees.

Valuation is attractive if revenues can double between 2021 and 2023. Re-rating of the stock as the company moves closer to breakeven EBITDA in 2023 and investors become aware of this ESG story. Executing well on the recent Livalta AB Agri deal near-term would trigger a larger plant project for 2023.

$1.00 CAD price target represents a 15% premium to 3.7x our 2023 EV/Sales estimate. Peers are trading at an average of 3.7x 2022, but we apply 2023 as our base year because of the first full year of commercialization terms with Livalta. Today's stock price is only 1.8x EV/Sales 2023 forecast.

Two future large deals, similar in size to the Livalta AB Agri one, could be signed over the next 18 months to further help topline growth in 2023. **If so, our Bull Case is $1.25 CAD price target.**

Catalysts & Attractive Aspects:

1. Breakthrough New Contract in September to Accelerate Topline Growth

Proof of Concept validation and commercialization for Animal Feed was achieved in September with the agreement with Livalta (part of AB Agri). Not solely a business model for carbon capture abatement and other emissions (nitrogen dioxide & sulfur dioxide), but a multi-layer revenue creation model.

Plant-based protein is more easily digestible than red meat and soy by humans and animals. Vegan food and omega-3 fatty acids (EPA and DHA) are two growing opportunities for microalgae usage.

Paste, pellet and other algae formulation can be processed and sold as ingredients into animal feed, fish feed, fish coloring (pink salmon), cosmetics, nutraceuticals and possibly human-grade diagnostic kits.

We believe Animal Feed could become POND's largest revenue generating opportunity in 2023 & 2024. While we remain cautiously optimistic on Biopharma, Biotech and Therapeutics, we believe it will take three more years to possibly achieve more than $1 million in a single year.

2. Vertical Integration with Efficient Scalable Technology for Sustainable Algae Growth

Nutraceuticals and technology revenues for use of its platform have comprised the company's topline until today within its "Naturals" division. Going forward, we expect most of the topline growth to be derived from its "Carbon" division. There is a myriad of end markets to pursue and revenue opportunities to achieve double-digit topline growth in 2021, 2022 and 2023. Animal feed, fish feed, agriculture, methane reduction from cattle, oil & gas and diagnostic kits.

Its Carbon division includes selling its platform for carbon capture, but also the revenue stream from licensing and royalty fees. September's agreement with Livalta (AB Agri) is the poster child for this! Diagnostic reagents and therapeutics revenue streams deals are more of a 2024 story.

Phycocyanin (blue food coloring approved by FDA) and Astaxanthin (antioxidant with many purposes) have strong demand and are areas of capacity expansion for POND in late 2021 and 2022.

3. Pipeline for Animal Feed for Livestock & Natural Gas is Early Innings with Active Projects

Algae protein can be extracted, processed and added into animal feed (2-3% of the feed). Reduction of methane, cost-effectiveness and sustainable feed component with algae additives. By the year 2050, the world's population is forecasted to exceed 10 billion people. Agriculture constraints are already starting to mount with less arable land, depletion of fertile soil and climate change impact.



Source: Company's Investor Presentation

4. Double-Dipping Revenues Opportunities

The company's vision is to be a hybrid partner with some exclusive contracts for end markets or geographies, but to also have some double-dipping opportunities. POND is willing to sign big agreements to supply its technology and receive a license and royalty fee for a specific type of output.

Pond can be the tech platform provider and licensor. Or it can double-dip for more revenues by being the off-taker of the algae harvest to process it as liquid paste, pellets and powder formats before selling it into its Pond Naturals channel or its Biotech division later if human-grade quality. Its technology platform can also be attached to different sources of industrial exhaust – gas, fluid or solid.

5. Operating Leverage Inflection Point in 2023

Operating margin leverage by not needing to add many employees to double its revenues over the next two years. Especially as more of its revenues mix movers towards licensing and royalties in 2023.

Scalability advantage, with licensing and royalty fees received, puts it on a path to achieve breakeven adjusted EBITDA in 2023.

Until mid-2020, its geographic revenues have nearly entirely dependent on Canada. Going forward, we expect the UK and Europe to comprise 50% of revenues in 2022 & 60% in 2023.

Lastly, POND is not at the mercy of seasonal cyclicality or bad weather! Micro algae can be grown indoors or on lands unsuitable for food crops.

6. ESG Climate Stock to Become More Noticed

Environmental Social Governance (ESG) stocks have commanded a premium valuation the past several years and have outperformed over that time period. We score POND high on the Environmental factor for its participation in climate change, greenhouse gas emissions, carbon footprint and water usage.

7. Methane Reduction in Cows, Diagnostic Reagents, Biofertilizers, Eco-Friendly Products

a) Cows & Methane: animal agriculture causes 9% of greenhouse gas emissions. Each molecule of methane contains more warming power than a CO2 molecule. By simply adding 2-3% Spirula to a cow's diet intake, it can reduce methane emissions from the cow by 90%. Spirulina as a livestock supplement (200 grams/day) can also increase milk production by 20%.

Animal Feed & Methane Reduction (Cattle) could be a $4-5 million sales opportunity for POND in 2024.

b) Reagents for diagnostic test kits therapeutics penetration is a near-term opportunity. Whereas human-grade drug components might be further down the road. Interestingly, blue-green algae has been studied for its potential and efficacy in agents to help with anti-tumor, anti-inflammatory anti-obesity, anti-viral and anti-diabetic therapies. EPA & DHA extraction for omega-3 is also possible.

c) Biofertilizers & Land Remediation: red algae can be used to segment nutritional value and yield of crops growth. Cost-effective at half the price of chemical fertilizers and non-toxic runoff risks. Remediation is putting life organisms back into the soil as algae cake or de-oiled algae meal.

d) Biodegradable consumer textiles & footwear is another opportunity. Reef recently launched sandals with algae-blended resin foam topsoles. Eco-friendly and biodegradable "living clothing" and apparel could be on the horizon. Traditional sneakers and sandals can take 40 years to degrade at landfills!

8. Breakeven Adjusted EBITDA in 2023

Breakeven adjusted EBITDA could be achieved in 2023. If so, this could be a re-rating catalyst for the stock's valuation multiple expansion.

We expect breakeven adjusted EBITDA for 2023. For this forecast, we modeled out the two-part Livalta deal by assigning a lower margin to the first part (2022 for demonstration system and installation of the smaller plant) and a higher margin to the second part (2023 for technology access and royalty fee components as a second larger plant begins).

Sales growth in 2022 should come from part one of Livalta AB Agri deal and nutraceuticals penetration.

9. Reverse Stock Split Possibility in Late 2022

We believe the management team and the Board should consider whether to do a reverse stock split in late 2022. While unlikely under current consideration this year as management focuses on topline growth and commercialization opportunities, we hope it will be evaluated next year.

1-for-10 shares would get the stock out of penny stock territory to attract a new set of investors, who can sometimes associate a stigma with NYSE or Nasdaq stocks below $1.00 for too long at possible delisting risk. Despite POND not being listed on either of those two exchanges and instead on the TSX Ventures Exchange in Canada and OTC in the US. Furthermore, it could put the stock on the radar for institutional investors seeking ESG small cap stocks and conducting screens. Some managers are restricted from purchasing stocks with prices below $2-3.

Timing for a reverse split action would need to coincide with a material news flow event or an uplisting on the stock exchange (possibly to Nasdaq from OTC) if market cap increases enough.

Disadvantage would be fewer shares outstanding and possibly higher volatility to the stock price bid/ask spread. However, a 1-for-10 reverse split would equate to 5 million shares and adequate liquidity. Optically, we do not believe a reverse split would be a red flag because of the company's sales growth profile and its stock price today being similar to what it was in late 2019.

MILESTONE AGREEMENT IN SEPTEMBER 2021 (Livalta-AB Agri)

This recent contract is a strong validation stamp-of-approval and offers a pathway to future wins.

On September 8, 2021, Pond Technologies announced a very compelling and interesting joint commercialization agreement with Livalta, part of AB Agri (subsidiary of Associated British Foods) for a focus on affordable ingredients for animal feed (Spirulina with omega-6 and essential vitamins).

Remediiate (UK) Ltd. and Pond Technologies signed a licensing agreement in 2020 for strategic customers and channels in the United Kingdom and Continental Europe. Remediiate is a licensee that acts as a broker and an extension of Pond's salesforce for introductions. After delays due to COVID-19, Remediiate helped connect Pond with Livalta (AB Agri). Remediiate remains active in other pursuits.

Terms:

A) £1.7 million GBP worth ($2.9m CAD) to Pond for designing, delivering and installing a demonstration system in the Norfolk, UK. This is expected to be earned over 9-12 months and is underway.
B) £1.5 million GBP ($2.6m CAD) to Pond for a combination of upfront license fee and a royalty earned for commercialization milestone when achieved.

$5.5 million CAD equivalent (currency translated on contract date) could have additional upside in 2024 from royalties-sharing (3-4% royalty is our assumption).

Livalta (AB Agri) incurs the capital costs of the new plant and processing facility, which could equate to $25 million. 20,000 tons of annual algae production forecasted at this medium-sized plant in Norfolk, UK.

Animal Feed "output" is exclusive. This means that Livalta (AB Agri) has exclusivity in UK and Europe for animal feed type output created. Pond Technology's management team is confident in AB Agri's affiliation with Associated British Foods and the potential for a larger plant in 2023 and possibly one to two other plants later. 20,000 tons production at the first pilot plant could become 40,000 at the next one.

Pond Technology is allowed to sign other deals with other companies in Europe or the UK for the production of animal feed ingredients, if the output is for the customer's use, rather than becoming a commercial feed ingredient sold on the open market. In the meantime, we exe

Why Very Important?
Validation of algae as viable cost-effective animal feed ingredient and for a huge parent company.

AB Agri studied several different types of alternative proteins over a couple of years (black fly larva, duckweed protein, hemp protein, algae and others) as a substitute for soy and corn for animal feed. Soy is 30% protein. Corn is only 8-10% protein. Compare that to Spirulina and Chlorella at 50-66% protein. Corn and soy are the most produced crop in the United States and take up a lot of farmland.

If cattle instead feast on an algae-infused alternative, it will free up a lot of land, reduce methane emissions from cows, allow trees to regrow for oxygen-generation digestion of CO_2 in the atmosphere and also conserve a tremendous amount of water not needed for irrigation.

Livalta is part of AB Agri, which is part of Associated British Foods (ABF). ABF has both food processing plants and retailing on six continents. Interestingly, it has 14 manufacturing plants in Western Europe. If the Norfolk UK pilot plant is successful in late summer 2022, along with an additional other European large plant targeted for 2023, then several of Associated British Foods other manufacturing plants could set up an algae plant not only in Europe, but possibly in Africa or South America. POND would receive new system revenues and then a license and royalty fee from each. Halo effect.

This JV commercialization deal is a roadmap or poster child for future deals at POND.

Customization of animal feeds by AB Agri is important to point out. Cattle would be the holy grail because not only would it save a lot versus conventional feed costs now, but an algae-ingredient protein would also reduce the methane gas emissions from cow's by up to 90%.

Methane (including livestock's digestive release) is responsible for 18% of all greenhouse gas in the atmosphere as the #2 contributor to global warming after CO_2. Cattle, by themselves, causes approximately 9% of total greenhouse gas emissions! Methane's absorption and trapping of the sun's radiation is more potent than CO_2.

As I wrote the paragraph above, 32 countries joined the United States in a pledge with the EU to reduce methane emissions by 30% by 2030 ($223 million committed). However, the four of the top ten largest emitters have not yet signed and might not anytime soon (China, India, Russia, Brazil).

Separately, Pond Technologies recently signed a collaboration agreement with Malone Group for project pursuits in Ireland, Canada and possibly the UK (not overlapping with AB Agri's animal feed usage). Malone will assist with bigger projects execution and oversee some of the construction.

Lastly, we want to hammer home and re-emphasize this important point:
The company's solutions and capabilities are beginning to resonate across multiple end markets. Not solely a Nutraceuticals and ESG play, but also has a myriad of end markets to pursue and revenue opportunities to achieve double-digit topline growth in 2021, 2022 and 2023. Animal feed, fish feed, agriculture, methane reduction from cattle, oil & gas and diagnostic kits.

Why Has the Stock Underperformed during the Past Three Years?

1. Delay in signing and executing a large animal feed or fish feed contract. While the company has been successful at Nutraceuticals and food additives, there had been a lack of full-executed commercialization of high-revenue potential contacts until recently with Livalta (AB Agri). It often takes 6-9 months for a typical deal to be signed after initial talks begin, but COVID-19 slowed down factories staffing and caused distractions. A few Memorandums of Understanding did not materialize (Stelco Algae, Inventys Thermal Technologies, BioCarbN) related to project financing.

   Validation and proof of concept has now occurred and continued signed contacts in the near-term. Not a start-up company, but on track for $7 million revenues this year and $10 million next year.

2. Revenues grew only 5% year-over-year in 1H21 versus 1H22. We expect topline growth to accelerate 2H21 for 40% growth in 2021. We forecast 45% revenue growth for 2022 & 29% for 2023.

3. Lack of profitability during the past several years. We forecast breakeven adjusted EBITDA in 2023.

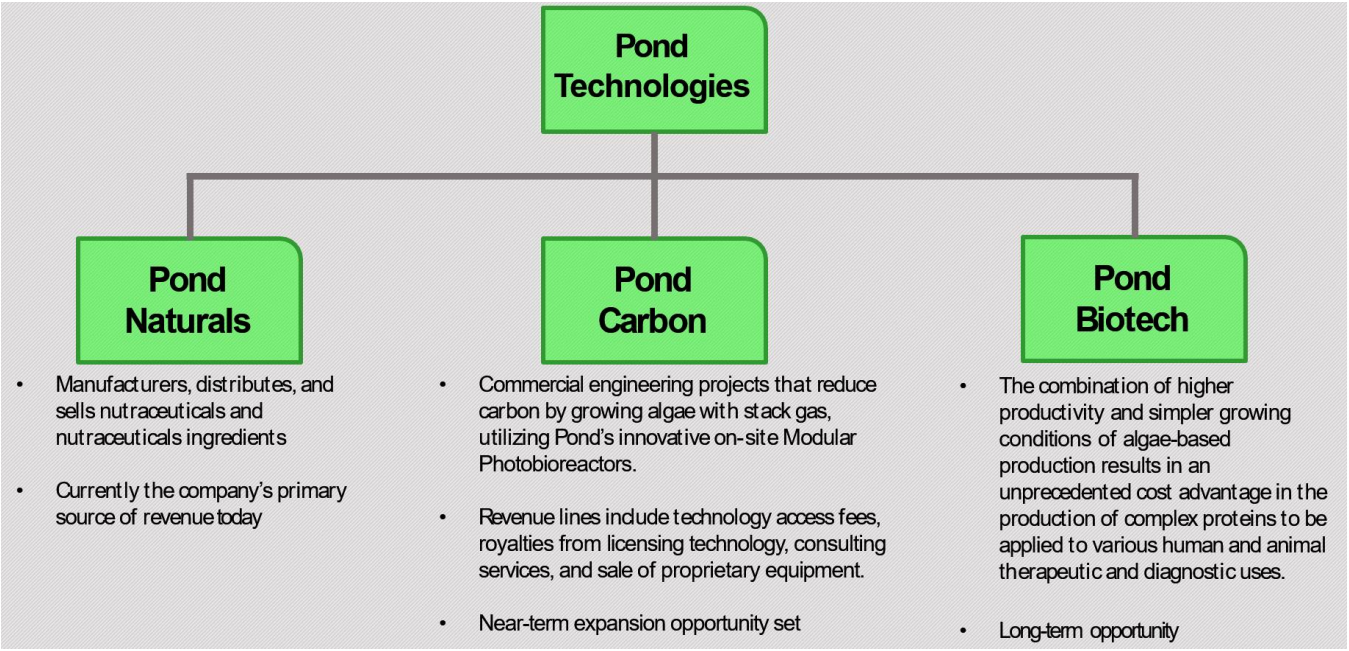
4. Lack of appreciation by investors for multiple revenue paths and optionality for the company to partake in going forward. Vertical integration and its ESG theme are also currently overlooked.

5. Private placements & warrants triggering dilution to shareholders. Share count increased during the past year was for capital raising to fund its growth and expansion until free cash flow is generated.

OVERVIEW & BACKGROUND

- Pond Technologies Inc. is a microalgal biomass cultivation player with a uniquely integrated proprietary platform to grow microalgae rapidly in large-scale amounts and in a cost-effective manner without requiring arable land. Its platform applies the natural power of algae to absorb carbon emissions waste from stack gas emitters. Then, the resultant algae strains of complex proteins can be transformed into valuable products or blends sold into supplements, animal feed, fish feed aquaculture, human nutraceuticals, beverages, food additives and possibly therapeutics.
- Three subsidiaries are Pond Technologies, Pond Naturals (includes Regenurex Health Corp acquisition from January 2019) and Paige Growth Technologies (plant adaptive growth engine).
- Headquartered in Canada (Markham, Ontario is north of Toronto). The company also has a 10,000 sqf algae astaxanthin production facility in British Columbia and a demonstration plant in Ontario.
- Formerly named Ironhorse Oil & Gas Inc. until a reverse takeover in January 2018, which raised nearly $9 million. Shares began trading on TSX Venture Exchange under the trading symbol (POND.V) in February 2018.
- Discontinued its inactive Oil & Natural Gas business in early 2020 to focus entirely on microalgae.
- IFRS accounting (International Financial Reporting Standards)
- 18% Insider-owned shares
- Revenues 2020 (excluding discontinued Oil & Gas): 92% Nutraceuticals & 8% Technology Services
- Revenues 2020 (excluding discontinued Oil & Gas): 92% Pond Naturals & 8% Pond Carbon
- Geographic Revenues Mix 2020: 92% Canada & 8% United States

Develops & Commercializes Algae Growth Technology via Proprietary Equipment



Source: Company's Investor Presentation

Pond Naturals
This division does the production, formulation and custom blending for nutrition products. It has the been the revenue generator driven by Nutraceuticals and ingredients for it. Astaxanthin is sold under its own brand called Regenurex and through white label contracts. Astaxanthin is in high demand and POND has a proprietary natural extraction process that avoids dehydration or exposure to harsh chemicals.

2021 focus was on distribution channels expansion, white label growth pursuits and improved marketing.

2022 focus will be on increased production capacity for Phycocyanin (blue food coloring approved by FDA) and Astaxanthin (antioxidant with many purposes).

Pond Carbon
This division is for sales of its technology, licensing and partnerships with industrial emitters. We consider Carbon as the main division for the topline growth driver over the next few years until Biotech division inks a couple deals. Carbon has the intellectual property and patents to differentiate its services and systems. Ample opportunities to sign deals similar to the Livalta AB Agri deal signed in September.

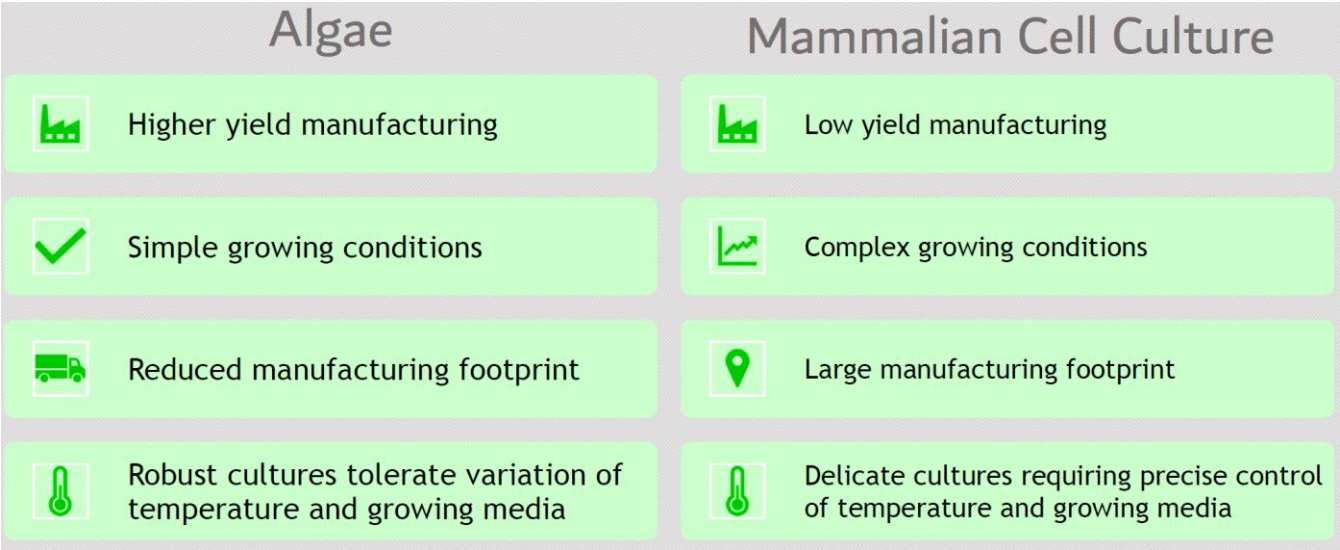
We like how Carbon will be a hybrid revenue model. Royalty fee income (5% typically) from every kilogram of algae processed can become a key topline contributor in 2023. We expect most of the new agreements & non-nutraceutical contracts signed through 2022 to be for this Carbon division.

Pond Biotech
This division of the company is focused on the growth of unique strains of micro-algae to be used as a reproductive medium for the expression of human anti-bodies and proteins. Rather than hamsters and other sources of mammalian cell culture creation, which are very sensitive to temperatures and PH levels.

- Microalgae can be modified to produce human proteins and to mirror many secondary structures in complex organisms.
- Microalgae is more tolerant of a range of temperatures & pH levels.
- Microalgae can grow at large scale quantities at a faster pace.

In 2014, CRISP/Cas9 gene scissors made the genetic programming of microalgae possible with both reliable stable gene sequencing and precise targeted editing capabilities for eventual human protein.

Comparison for recombinant proteins growth methods (mammalian is current industry practice)



Source: Company's Investor Presentation

Initial studies point to possibly 200-500% more productive yielding while at 25-50% lower cost. Therefore, possibly 5-10 times better on the cost per unit yield!

Diagnostic reagents for test kits would most likely be the first revenue milestone for the Biotech side.

How Does Its Growth Platform Work?

Algae can grow only 1-2 centimeters per day outside in natural environments, but can be accelerated to grow at least 4 cm/day with direct feed absorption of carbon dioxide and proper lighting sources.

Algae benefits from the lack of tough fibrous structures which other plants have. That, along with its rapid growth speed and ability to grow indoors under lights, allows it to be a cheaper and scalable alternative. Sunlight is not constant enough on a daily basis, whereas replicated indoor lighting accelerates growth.

Pond achieves this with their indoor platform technology systems:

- Smokestacks emit carbon dioxide on a 24/7 basis
- Air intake absorbs the CO_2 2 as it travels in bubbles and water to the nearby onsite facility
- 25-40% of carbon dioxide emissions from input are consumed by Pond's systems and up to 60% of if run non-stop. This capture range is determined by shutdown or offline hours or days at various industrial plants. For example, a natural gas processing facility can emit for months at a time non-stop, whereas a cement plant might shut down for a week each month during the winter seasonal low production and be closer to 30-40% capture rate.
- Advanced bioreactors, designed by Pond, produce light-filled conditions for algae to thrive and grow rapidly. High-intensity LED light sets flash continuously, tricking algae into getting used to shorter days so it grows more rapidly. Creating high volumes of biomass to harvest. Pond's illumination penetrates at a depth 15-20 times as deep as natural sunlight, which triggers denser growth.
- Proprietary wet extraction process separates out components without using harsh chemicals or quality-impairing steps. 7 days cycle is enough for sizeable microalgae growth cultivation.
- Resultant algae can be processed by POND into several different formats, depending on the need of the customer. Including paste, a more liquid paste, powder or dehydrated pellets.
- "Made in Canada" label is a differentiator and peace-of-mind compared to many other countries.
- $10,000+ per ton selling price for Nutraceuticals, Food & Beverage. $1,500-3,000 for Animal Feed.

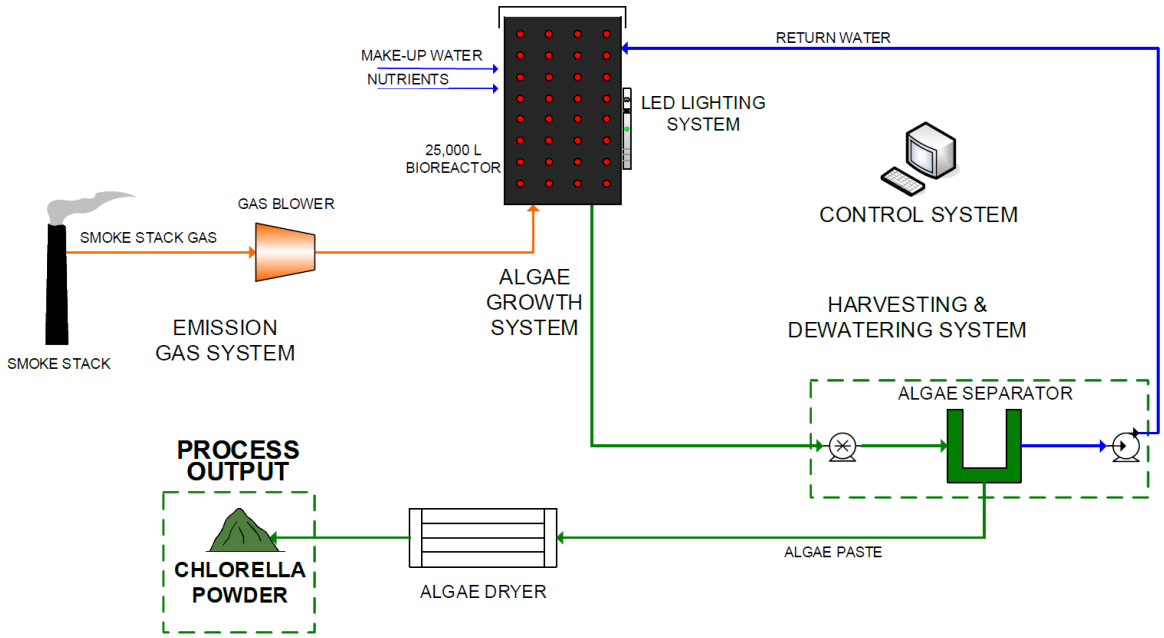
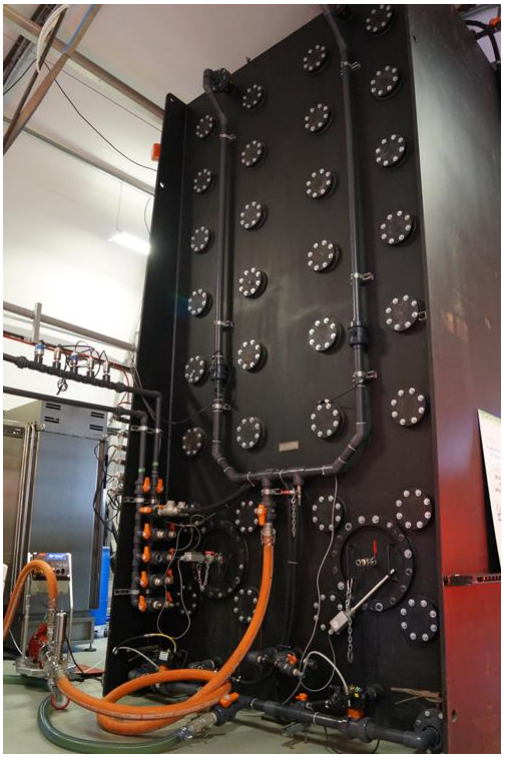


Figure - Process schematic for an algae plant

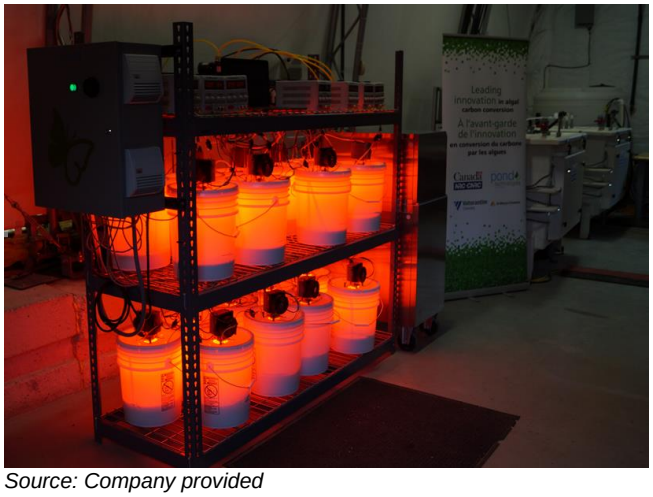
Source: Company's Annual Information Form filing

POND's extraction methods of algal proteins are proprietary and closely held. While we are not privy to Pond's exact approaches while authoring this report, we came across some highly-involved extraction and processing methods for algae protein bioactive compounds for usage in nutrient supplements, cosmetics and possibly biopharmaceuticals: microwave assisted extraction, supercritical fluid extraction, ultrafiltration, centrifugation with ultrasound extraction, pressured liquid extraction, enzymatic hydrolysis assisted extraction or chemical extraction (too harsh though).





Source: Company provided





Source: Company provided



Source: Company provided example of onsite tent facility for smokestack-laden customer

Comparison:





Current Competitors' Outdoor Methods:

- Algae grows in top few inches only
- Large area required
- Large cooling and water requirements
- Climate dependent
- Contamination vulnerable
- Daylight hours only





Pond's Growth Platform:

- Controls total growth environment including light, gases and temperature in enclosed photo-bioreactors
- Increased yield
- Less contamination
- Operates 24/7 year-round
- A fraction of land required
- Uses less water than outdoor farms

Source: Company's Investor Presentation

Algae Growth Pond Tank & Byproduct Paste

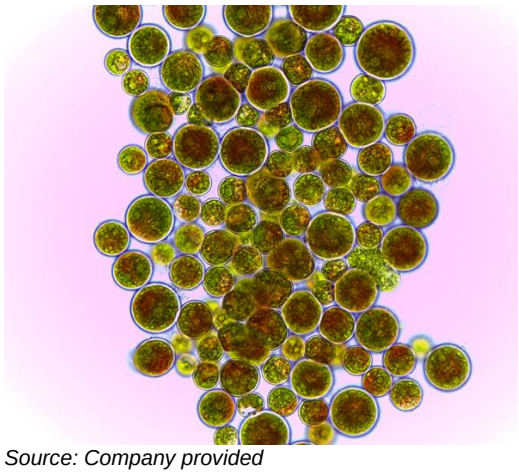


Source: Company provided



Source: Company provided

Transitioning from Green to Red Algae (Pluvialis phase for Fish Feed Additive)



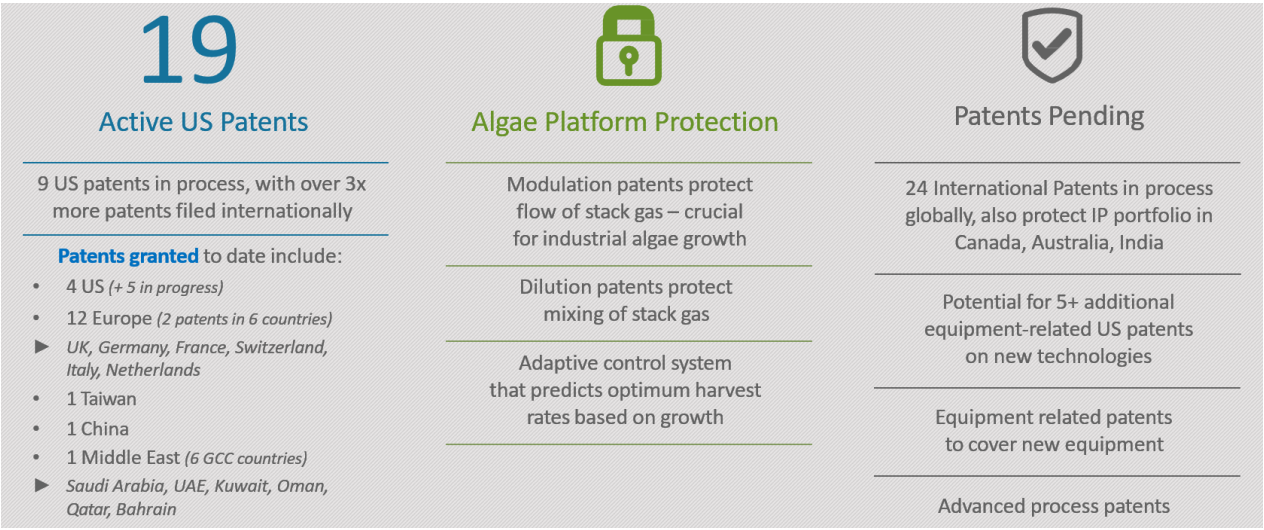
Source: Company provided

Edible Finished Product Applications



Source: Company provided

Early-Mover Advantage & Intellectual Property
While there are more than a dozen algae players in the US and Canada, we like POND's prospects.



Source: Company's Investor Presentation

China & Taiwan patents are of particularly interest to us. China represents an opportunity a few years down the road because of their heavy coal usage.

What Challenges Faced?

1. Quality of the CO_2: flue gas has other contaminants that have to be separated, desulfurized, filtration capture and neutralized for sulfur oxides, nitrogen oxides and possibly heavy metals.

2. Steady Quantity of the CO_2 & Concentration: algae cultivators benefit from higher concentration % of carbon dioxide emission and a steady source of enough repeated days count (7+ consecutive days). Algae farms will not have successful yields if temporal interruptions of CO_2 supply. POND has onsite connections to smoke tacks and targets long-streaks of uptime and production emission schedules.

3. Reliable Source of Water: POND recycles the water three to four times. Light is not a challenge due to Pond Technologies illumination offerings.

4. Scalability: the need to produce many kilograms worth of resultant algae product. POND's growth technology platform can produce 25,000+ tons of algae annually. Recycling the water several times (3-4 times by POND) is also an important trait.

5. Multiple competitors in this space.

6. Sequencing, Shape, Post-Translational Modification for Biopharma & Biotech purposes. Expressing the proteins in a high-grade reliable method.

CLIMATE CRISIS & SPENDING UPTICK FOR SUSTAINABILITY & EFFICIENCY

- Nobel Prize in Physics was awarded this month to two scientists who began modeling and quantifying variability in the Earth's climate in the 1970's and eventually predicted global warming. Their focus was on increasing levels of humanmade carbon dioxide, which directly linked greenhouse emissions, namely CO_2, to causing a clear direct impact on rising global temperatures because of humankind and pollution. Excessive use of fossil fuels and ecosystems viability were called out with a sense of urgency.

- 40 billion tons of CO_2 dumped into our atmosphere in 2020. 85% of that came from fossil fuel and industrial emissions. Furthermore, major wildfires over the past 20 years have destroyed oxygen-producing supply such as from the Amazon, California forests, Russia, Canada, Australia and Alaska. 600,000 square kilometers worth (373,000 square miles). Twice the land size of California! Pollution and global warming have created an urgent need to reduce carbon dioxide (CO_2).

- Carbon Dioxide is the most abundant human activity produced greenhouse gas. Vehicles, industrial plants, people create carbon dioxide pollution. Cars, SUVs and trucks combine for nearly 20% of all US emissions. Deforestation, coupled with high usage of coal and oil in the world, contribute to climate problems. However, plants, like algae, need carbon dioxide (CO_2) for photosynthesis and to thrive and generate oxygen. **The IEA estimates there has been a 60% increase in carbon dioxide emissions over the past 30 years from energy & industrials. Only 20% of that 60% increase (12% of total) has been caused by deforestation and loss of forest (fires, clearing for farmland & grazing).**

- Greenhouse gases absorb heat and trap it within the Earth's atmosphere instead of radiating a lot of back into outer space. Raising the earth's average temperature as greenhouse gases reduce the reflection of sunlight heat back out of the Earth's atmosphere. Decades ago, approximately 66-70% of the sun's solar energy was absorbed by the Earth's surface (oceans, land, atmosphere). The remaining 30-34% was reflected back into space by clouds, snow, ice caps, water, dust, deserts and the upper ozone layer. However, CO_2 emissions accelerated in 1998. During the past two decades, more than 70% is absorbed by Earth. Hence, global warming as extra infrared heat is trapped because of burning fossil fuels and other emissions. **Earth's average yearly temperature has risen 2 degrees Fahrenheit since 1980's prior 80-year average. At that pace of human emission, the global average temperature could rise 10 degrees Fahrenheit by the year 2100**.

- **Warmer climates cause changing weather patterns and extreme conditions.** More intense storms and flooding, heat waves and drought, the melting of icebergs to trigger a rise in sea level and hurricanes. Dry areas become more dry and wet areas more wet. The extremes (dry versus wet, cold versus hot) become more extreme. Flooding and land loss is one of the most frequent issues of the past two decades. Global warming appears to be causing a slowdown in ocean circulation and currents, notably in the Atlantic and Gulf Stream as Greenland is ice sheets melt and heavy rainfall reduces the salinity and density of ocean water. Warmer drifting water and heat waves causes stronger hurricanes**.**

- **Furthermore, the East Coast of the US has had a sea level rise of nearly 9" over the past 100 years with nearly 5" over the past 25 years**. Sinking land (lost land) is occurring on some of the East Coast and Gulf of Mexico coupled with above-average flooding. Whereas West Coast land rises gradually from tectonic plates shifting**. According to NOAA, the pace of annual rising global sea level is up 150% over the past 15 years compared to the twentieth century.**

- **Studies from 2019 indicate that up to 33% of the word's species of plants, insects, animals and marine life could face extinction by 2070** if emissions continue to rise at a rapid pace as over the past two decades triggering Earth's atmosphere to rise by 3 more degrees.

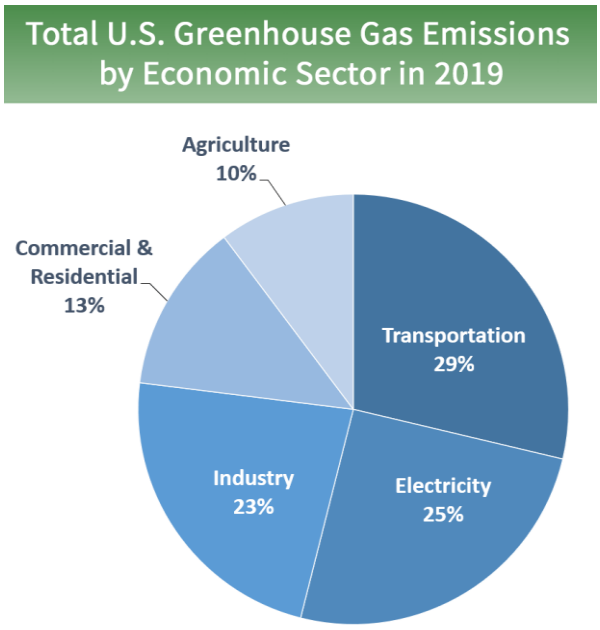
- **Paris Climate Agreement was signed by 195 countries in 2016 for a net-zero carbon dioxide emissions goal by 2050.** However, the switch to more renewable energy, more electric cars, less consumption of meat (animals used for meat cause more than twice the pollution of plant-based foods – due to methane by cows and sheep, factory meat processing emissions, heavy-duty machinery, raising and culling animals, deforestation, fertilizers) and limiting greenhouse gas emissions by humans needs more near-term strong actions. **This global climate fight is one that Pond Technologies can participate in with its algae growth technology & emissions removal.**

- **The International Panel on Climate Change (IPCC) estimates that 10 billion tons per year of CO_2 have to removed annually over the next 30 years to avoid a dire step-down in climate change**. While the Paris Climate Agreement focused on curbing greenhouse emissions, its aftermath discussions are inching towards a need to also radically remove CO_2. **POND can help**.

- **A rapid and massive deployment of efficient and clean energy wave is now underway with annual spending increases of 5-8% forecasted over the next two decades.** Not only driven by the pledges in the Paris Climate Agreement, but also G20 countries recognition that global CO_2 emissions are on track to hit a record level in 2023 (according to IEA) before having a chance of slowly begin decreasing. 45% reduction of greenhouse emissions is needed to counteract harm.

- **For the world to achieve Net Zero carbon emissions in 2050, total clean energy investments annual spending would have to triple from $1 trillion in 2021 to $4 trillion to avert climate catastrophe.** Petroleum-based oil consumption and the burning of coal would have to decrease by 75% over the next 30 years, which is possible with electric vehicles rapid penetration, solar energy panels installations, wind turbines, natural gas instead of coal usage for electricity production and residential heating, polluting chemical reactions for production of goods at factories, cows methane, agricultural soils. Renewable power capacity would have to increase 1,000% over 30 years.

- Electric Vehicles (not internal combustion engines eating up gasoline), Green Hydrogen, Blue Ammonia, Algae, Plant-based foods and other sources of substitutes have to accelerate adoption.



Source: Environmental Protection Agency (EPA) https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions Accessed October 7, 2021

- **We are highly encouraged about Pond's viability of commercial algae-based animal feed after the announced attractive deal in September with Livalta (subsidiary of Associated British Foods) valued up to $5.5 million CAD.**
- **We highly anticipate a couple more sizeable deals to be signed over the next 18 months**.

Customers

Nutraceuticals ingredients and coloring have comprised most of the revenues the past two years.

Top 2 Customers represented 44% of Sales in 2020 & 44% of Sales in 2019. Both were Nutraceutical Products customers. Top customer in both years comprised 29% in 2020 and 26% in 2019. This top customer, a private nutraceutical customer, is well-diversified with 14 SKUs at POND and multiple uses.

Both of these largest customers rely on POND to customize, process, blend with synergistic ingredients for upselling into the end markets.

As more customers are added, such as recent Livalta AB Agri deal, customer concentration decreases.

We remind investors that POND is not a venture start-up. $7 million revenues this year is our forecast.

Recent Major Contract Wins Announced

Livalta AB Agri (September 2021): algae plants for animal feed ingredients plant with joint commercialization and a royalty fee to POND. Approximately $5.5 million CAD worth.

CSV Midstream Solutions (June 2021): algae plant for CSV's onsite natural gas plant near Alberta. The harvested algae will then ship in liquid paste format to POND's facility near Vancouver. Success could develop into a second algae facility for a second site at CSV.

Fortune 500 Company & Canadian Oil Sands Producer (August 2021): $1 million for COVID-19 antigens.

Acquisitions

Regenurex Health Corporation (January 2019): a leading cultivation and extractor of Astaxanthin (naturally derived from algae and acts as antioxidant and anti-inflammatory). Included 10,000 sqf algae production and processing facility in Agassiz, British Columbia, Canada. It also has a direct selling website for Astaxanthin dietary supplement softgels and pet food topper (https://regenurex.com/)

Acts a strategic sales channel for processing, customizing and distribution harvested algae.

Paid $5 million CAD purchase price funded by 5 million shares issued). $500,000 capital injection also committed for working capital and CapEx to grow it more.

RFI LLC (November 2018): exclusive Canadian distribution and sales rights acquired for certain products. RFI is a US-based supplier of food ingredient and nutritional health blends. A top purchaser and reseller for Spirulina, Chlorella and other algae-related components. RFI Canada's 2017 revenues were $2.3m and POND has exclusive renewal right after the 5-year term.

Paid $640,000 CAD purchase price funded with $320,000 shares issued (at $0.62) and $320,000 Cash.

Intellectual Property from St. Mary's Cement Inc (2011): paid $1.7 million CAD for IP of its first pilot plant.

INDUSTRY OUTLOOK & INDUSTRY POSITION

INDUSTRY OUTLOOK - POSITIVE

Our outlook is Positive for Carbon Emissions Reduction, Superfoods, Nutraceuticals, Animal Feed and potential future uses of algae.

Algae market global revenues in 2020 were approximately $2.5-3.5 billion and been growing 7-10%. Microalgae protein global market now exceeds $1 billion. Animal Feed global market for additives is roughly $10 billion out the $350 billion retail market size of which $100 billion is for cattle feed.

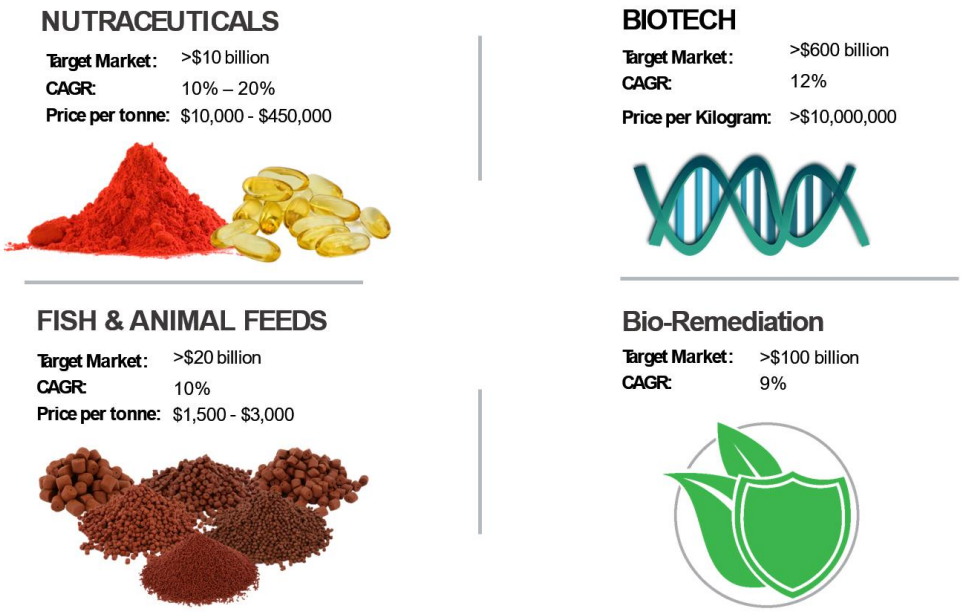
There are several types of micro algae growth mass cultivation methods. POND uses a closed indoor bioreactor approach tied into a direct carbon dioxide emitter source (cement plant, natural gas production facility, food processing plant). Open Pond is less cost effective with higher variability of production quantities because it dependent on sunshine and slows down with too much variation in temperatures. Raceway ponds and fermenter systems are other options.

Secular growth drivers & ESG Theme should benefit Pond Technologies:

1) Net-Zero Carbon 2050 & Paris Climate Agreement honored by the US, Canada & Western Europe.
2) Global population increase by 2050 to require 40% increase in meat & poultry production and a reliance on protein sources as urbanization continues. Arable land expansion is limited and would have to rly on Sub-Saharan Africa and South America (the Amazon is already stressed today).
3) Vegan Diets, Plant-based Food, Superfoods and Healthier Eating Evolution

Addressable Market

Below is the company's estimation of their end markets:



Source: Company's Presentation

However, we take a more conservative approach of total addressable market for Pond Technologies than their presentation above. We look at the protein angle and focus more on the US, Canada and UK.

For the Biotech and Bio-Remediation markets, which we assign little near-term value to it before 2024. We are cautiously optimistic about potential for a maiden win in Biotech to be diagnostic kits reagents.

Animal Feed market is our favorite opportunity set for POND in 2022 & 2023. Cattle, poultry, pigs, ovine are all in need of a more cost-efficient and less natural resource draining feed alternative.

All in, we believe POND has a $15-20 billion realistic addressable market of opportunities after backing out the other component suppliers in the value chain and narrowing down the markets.

If POND were to achieve 0.5% market share, that could equate to $75-100 million revenues. Compared to our 2023 forecast of $13 million revenues.

INDUSTRY POSITION

There appears to be approximately a dozen microalgae competitors focusing mainly on carbon capture and supplements, food additives, animal or fish feed and possible human therapeutics.

Some of them, like Pond Biofuels (original name of the predecessor of Pond Technologies), had set out to create biofuel as an alternative to gasoline. Others set out to help treat wastewater.

Some focus on only Astaxanthin or Spirulina. Some focus only on algal pigments. Most are private.

No single player appears to have more than 10% market share.

COMPETITORS

Earthrise Nutritionals LLC: based in California and produces spirulina and spirulina-based products.

Cyanotech Corp: based in Hawaii. Cultivates and produces microalgae derived supplements.

AstaReal AB: based in Sweden with operations also in the US. Pioneer in Astaxanthin cultivation.

AlgaeCan Biotech Ltd: based in Canada and uses a bioreactor

BlueBioTech Intl: based in Germany and extracts Phycocyanin from Spirulina.

Algatechnologies Ltd: based in Israel and specializes in AstaPure Astaxanthin.

E.I.D. Parry Nutraceuticals (EIDPARRY.NS): based in India and provides Spirulina and Chlorella.

Zhejiang Binmei Biotechnology: based in China and manufactures Phycocyanin from Spirulina.

Bluetec Naturals: based in China and manufactures Phycocyanin from Spirulina.

Tianjin Norland Biotech: based in China and cultivates Spirulina, Chlorella, Phycocyanin, Astaxanthin.

AlgaeCytes: vegetarian Omega-3 EPA production from microalgae for personal care & nutra-therapeutic

Greenlane Renewables (GRN.TO): biogas upgrade systems to decarbonize natural gas.

Svante (private): based in Canada and does carbon dioxide capture directly from industrial emitters.

Climeworks (private): based in Switzerland and does carbon dioxide absorption and air capture.

Bion Environmental (BNET): livestock & food focus with treatment of livestock waste. Sustainable beef.

SEGMENTS FORECASTS

Segments

(CAD Dollars, Thousands, December Year-End)

Revenues	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Nutraceutical Products (Pond Naturals)	3,553	4,418	4,809	5,064	5,469
Technology Services (Pond Carbon & Biotech)	851	382	1,921	4,724	7,138
Oil & Natural Gas (discontinued)	-	-	-	-	-
Total Revenues	**$4,405**	**$4,800**	**$6,730**	**$9,788**	**$12,607**

Revenue Growth	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Nutraceutical Products (Pond Naturals)	NA	24%	9%	5%	8%
Technology Services (Pond Carbon & Biotech)	-41%	-55%	403%	146%	51%
Oil & Natural Gas (discontinued)	NA	NA	NA	NA	NA
Total Revenues Growth	**207%**	**9%**	**40%**	**45%**	**29%**

% of Revenues Mix	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Nutraceutical Products (Pond Naturals)	81%	92%	71%	52%	43%
Technology Services (Pond Carbon & Biotech)	19%	8%	29%	48%	57%
Oil & Natural Gas (discontinued)	0%	0%	0%	0%	0%

Gross Margin	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Nutraceutical Products (Pond Naturals)	14.8%	18.6%	21%	23%	23%
Technology Services (Pond Carbon & Biotech)	15.1%	39.0%	44%	27%	30%
Oil & Natural Gas (discontinued)	NA	NA	NA	NA	NA
Total Gross Margin	**14.9%**	**20.2%**	**27.7%**	**25.0%**	**27.1%**

(CAD Dollars, Thousands, December Year-End)

Sales by Product Line (estimate)	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Pond Naturals	NA	4,418	4,809	5,064	5,469
Pond Carbon	NA	382	1,921	4,724	6,638
Pond Biotech	NA	-	-	-	500
Total Revenues	**NA**	**$4,800**	**$6,730**	**$9,788**	**$12,607**

Revenue Growth	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Pond Naturals	NA	NA	9%	5%	8%
Pond Carbon	NA	NA	403%	146%	41%
Pond Biotech	NA	NA	NA	NA	NA
Total Revenues Growth	**NA**	**NA**	**40%**	**45%**	**29%**

% of Revenues Mix	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Pond Naturals	NA	92%	71%	52%	43%
Pond Carbon	NA	8%	29%	48%	53%
Pond Biotech	NA	0%	0%	0%	4%

Gross Margin	**2019**	**2020**	**2021E**	**2022E**	**2023E**
Pond Naturals	NA	18.6%	21%	23%	23%
Pond Carbon	NA	39.0%	44%	27%	30%
Pond Biotech	NA	NA	NA	NA	28%
Total Gross Margin	**NA**	**20.2%**	**27.7%**	**25.0%**	**27.1%**

Source: Zacks Investment Research, Inc. Tim Moore, CFA

We conservatively forecast only $0.5 million revenues from Pond Biotech in 2023. It will take several years to win any sizeable agreements for diagnostic kit reagents or Biopharma.

RECENT RESULTS & FORECASTS

Canadian Dollars are the company's reporting currency. The company does not provide guidance.

Investors should be aware that projects can be lumpy on a quarterly basis, causing revenues to fluctuate. Gross margin will also swing up and down quarterly because of components of the sales mix. Revenues derived from technology license and access fees are a much higher margin than project equipment and systems installations. We measure the financial trends on a "rolling twelve months" basis.

2020 Year Results
Sales growth of 9% was constrained by the COVID-19 outbreak distraction on potential pilot customers, delays in implementation by customers and impact on budgets. Gross margin improved by 500 bps to 20%. The company had a -$4 million adjusted net loss.

1H21 Results
Sales growth of 5% was driven by the Nutraceuticals (Pond Naturals) segment particularly from ingredients and Astaxanthin. Gross Margin 19% contracted 350 bps because of higher direct costs tied to pipeline development and new pursuits. The company exited its stake in Pembina Oil & Gas.

3Q21 Results
Sales growth of 70% to $2.2 million (CAD) was very strong and beat our initial expectation by $1 million because of licensing revenue from Pond Carbon. There also was the start of revenue contribution from the Fortune 500 antigens rapid diagnostic test ($0.15 million in 3Q with more for 4Q21 & 1Q22)

Gross margin 42% was abnormally high compared to 19% in 1H21 and 13% in the year-ago quarter. We were very impressed by this, yet caution investors that it was uniquely helped by the sales mix of licensing fees at very high gross margin (~70%). Operating loss -$557,000 was a sequential narrowing.

4Q21 Forecast
We forecast 65% sales growth to $2.3 million (CAD). We estimate $0.7 million of the revenues will come from beginning to deliver the new demonstration facility for the Livalta AB Agri deal in the UK.

Gross Margin 23% and flat from a year-ago because systems are lower margin than license fees.

2021 Year Forecast
We forecast 40% sales growth to $6.7 million (CAD) driven by a combination of a large license fee in 3Q, a partial delivery of the system to Livalta AB Agri in 4Q and growth of ingredients and Astaxanthin.

Gross margin could expand 750 bps to 28% because of the high margin license revenue in 3Q.
We forecast -$2m adjusted EBITDA loss and -$3 million adjusted net loss for 2021.

2022 Year Forecast
We forecast 45% sales growth to $9.8 million (CAD) in 2022. Topline growth should be driven by the Livalta AB Agri agreement revenues and by 9% underlying organic growth in the rest of the business.

Gross margin could contract to 25% in 2022 from 28% in 2021 because part one of the Livalta AB Agri deal has the system installation revenues in 1H21, which are lower margin that part two (technology access and royalty fee that should kick in 4Q22). 3Q21 benefited from a very high margin license fee.

2023 Year Forecast
We forecast 29% sales growth to $12.6 million (CAD) in 2023 with half of that coming from Livalta.

Gross margin could expand to 27% as the company benefits from the higher margin license and technology access fee from Livalta.

BALANCE SHEET

As of 9/30/21:

(Canadian Dollars in Thousands)

Assets	**9/30/21**
Current Assets	
Cash	2,159
Receivables	1,209
Inventories	215
Prepaid Expenses & Other Assets	305
Non-Current Assets	
Intangibles	1,742
Capital Assets	1,180
Contract Receivables	506
Deferred Income Taxes	822
Right-of-Use Assets	150
Total Assets	**$8,288**
Liabilities	
Current Liabilities	
Accounts Payable & Accrued Liabilities	1634
Loans Payable (Current Portion)	332
Leases Liabilities (Current Portion)	35
Deferred Contract Revenue	923
Non-Current Liabilities	
Loans Payable (Long-term Portion)	1,883
Convertible Debenture	1,955
Leases Liabilities (Long-term Portion)	160
Discontinued Operations Liabilities	0
Total Liabilities	**$6,922**
Shareholder's Equity (Deficiency)	
Share Capital	36,042
Contributed Surplus	8,194
Accumulated Deficit	-42,870
Shareholder's Equity (Deficiency)	**$1,366**
Total Liabilities & Shareholder's Equity	**$8,288**

Source: Company filing

Adjusted EBITDA & Free Cash Flow

We forecast negative -$2 million adjusted EBITDA in 2021, -$1 million in 2022 and breakeven in 2023.

No free cash flow is expected until 2024. Balance sheet of $2 million net debt might need additional funding sources if working capital growth needs step-up in a large amount for new contract wins.

Up to $2.25 million cash inflow from Grizzly Resources could be received for its Pembina asset sale agreement.

See page 33 for Income Statement forecasts

Capital Structure & Future Dilution Is Likely

Gross Debt $4.2 million (CAD; 9/30/21)
Cash & Cash Equivalents $2.2 million (CAD; 9/30/21)
Net Debt $2.0 million (CAD; 9/30/21)

Credit facility limits additional borrowing in Pond Technologies, but allows borrowing in Pond Naturals.

Tax loss carryforwards (non-capital) of $35 million CAD (as December 2020) after excluding the amount tied to discontinued Oil & Gas business. Pond Naturals has $3.6 million of losses as deferred tax asset.

Could receive a cash inflow of up to $2.25 million future conditional consideration from Grizzly Resources for its Pembina Oil & Gas property if Grizzly because of Pond's divestiture of Pembina Oil & Gas property upon full sale of the assets or upon resumption of production.

Convertible Promissory Note Debt

$1.99m at 9.55% interest rate matures 11/15/24. If converted, it would dilute shareholders by 5.0 million shares. This convertible debt is controlled by an entity controlled by the Chairman of the Board at POND. This debt was refinanced this week from a 12% interest rate and extended the maturity by three years. We like the lower interest rate and additional three years until maturity (originally November 2021). Trade-off is 3 million additional shares of dilution if converted at $0.39 instead of original $1.00 hurdle.

Private Placements (Non-Brokered)

Non-brokered placements during the past four years remain a near-term possibility for capital raises:

- $1.5 million CAD in August 2021 (at $0.45/unit included a warrant)
- $3.5 million CAD in March 2021 (at $0.35/unit included a warrant)
- $1.0 million CAD in June 2020 ($0.25/unit included a warrant)
- $2.1 million CAD in June 2019 (at $0.75/unit included a warrant)
- $2.4 million CAD in January 2018 tied to reverse takeover combination (formerly Ironhorse Oil & Gas)

Warrants

13.9 million share count dilution possible from three tranches of warrants outstanding. See table below:

Warrants & Other Dilution Shares (millions):					
$0.45 March 2023 Warrants	10.4				
$0.25 June 2022 Warrants	0.8				
$1.00 December 2021 Warrants	2.7				
Employee Stock Options (ESOs)	4.4	after 1.275m granted 11/15/21			
Convertible $0.39 November 2024	5.1	after refinancing on 11/15/21			
Total	**23.5**	**potential dilution (million of shares)**			

Source: Company's Presentation October 2021 & updated for new convertible & additional stock options granted on 11/15/21

10.4 million shares dilution is 18 months away for March 2023, which we intend to include in our modeling dilution share count estimate when less than 12 months out. December 2021 warrants are currently far out-of-the-money.

Proceeds from the private placements, including warrants attached to the units of shares, have been used for working capital, operations and growth purposes.

VALUATION

We value Pond Technologies using a peer comparables valuation methodology based on EV/Sales for 2022 estimates. We typically prefer EV/EBITDA, P/E & P/FCF multiples, but POND has not achieved positive adjusted EBITDA on an annual basis. We forecast breakeven adjusted EBITDA in 2023.

We reach $1.00 CAD ($0.80 USD) stock price per share by applying the peer group average of 3.7x EV/Sales 2022 to our 2023 Sales forecast. We apply a 15% premium to it because of embedded optionality for the likelihood that one large deal ($3m+ revenues) is signed over the next 12 months.

We used 52 million share count, which is likely to increase if warrants are exercised and if the convertible debt converts to shares. We point out above that further dilution could be 23 million shares.

Net debt was $2 million CAD as of 9/30/21

Peer Group Valuation Table

Company	Ticker	Price* (local FX)	Market Cap* (local FX)	EV (local FX)	Sales 2021E Consensus	Sales 2022E Consensus	EV/Sales 2021E	EV/Sales 2022E	EBITDA 2021E Consensus	EBITDA 2022E Consensus	EV/EBITDA 2021E	EV/EBITDA 2022E
Questcor Technology	QST CN	1.88	52	37	7	14	5.6x	2.6x	(1)	4	-36.9x	8.4x
Fuel Tech	FTEK	2.09	63	27	24	N/A	1.1x	N/A	0	N/A	91.2x	N/A
Pacific Green Technologies	PGTK	1.46	69	54	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LiqTech International	LIQT	5.56	121	104	25	70	4.1x	1.5x	(6)	11	-18.9x	9.4x
Advanced Emissions Solutions	ADES	7.24	137	107	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Greenlane Renewables	GRN CN	1.49	224	188	50	65	3.8x	2.9x	1	5	156.7x	37.6x
Bion Environmental	BNET	1.39	57	67	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Midwest Energy Emissions	MEEC	0.86	77	87	14	29	6.1x	3.0x	(3)	3	-30.1x	26.4x
Bioceres Crop Solutions	BIOX	16.00	658	755	244	299	3.1x	2.5x	65	80	11.7x	9.4x
Plant Health Care Plc	PHC LN	10.75	33	23	8	10	3.0x	2.2x	(4)	(2)	-5.5x	-9.5x
Plant Advanced Technlogies	ALPAT FP	19.60	21	25	2	4	11.0x	6.7x	(1)	(0)	-25.3x	-252.7x
Fermentalg	FALG FP	3.22	107	101	4	10	23.6x	9.9x	(5)	(3)	-18.8x	-33.8x
Avantium NV	AVTX NA	3.85	100	65	17	19	3.8x	3.5x	(19)	(20)	-3.4x	-3.3x
Marrone Bio Innovations	MBII	0.81	143	153	45	60	3.4x	2.5x	(10)	(2)	-15.9x	-84.8x
EID Parry (parent of Parry Nutraceuticals)	EID IN**	506.75	89,843	115,065	211,965	230,985	0.5x	0.5x	25,665	28,806	4.5x	4.0x
Simris Alg Ab	SIMRISB SS	0.75	59	57	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Earthrise Nutritionals	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cyanotech	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AstaReal AB & AstaReal US	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AlgaeCan Biotech Ltd (Canada)	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Yunnan Green A Biological Project Co	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Svante (Canada)	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Climeworks	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carbon Cure	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Global Thermostat	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Provectus Algae Pty (Australia)	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Algatech (part of Solabia pharma)	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
AlgaeCytes	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BioProcess H20 (wastewater)	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Algatechnologies Ltd	private				N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Peer Average**							**6.2x**	**3.7x**				**18.2x**
Pond Technologies Holdings, Inc.	POND CN	$0.40	21	23	7	10	3.4x	2.3x	-1.7	-0.8	-13.2x	-27.0x
					Discount to Peer Group		**-46%**	**-38%**			**N/A**	**N/A**

**11/17/21 closing prices **excludes private companies and conglomerate parent EID Parry; positive EV/EBITDA stocks only*

Source: Bloomberg Consensus & Zacks SCR

Base, Bull, Bear Cases

$1.00 Base Case assumes one more sizeable deal ($3m+ revenues) is signed before late 2022
$1.25 Bull Case if two more contracts similar in size of Livalta deal ($5m) are signed before late 2022
$0.20 Bear Case from intellectual property, patents, Regenurex assets, tax loss carryforwards, ESG

RISKS

- If revenue growth does not materialize for 2022. We expect high revenue growth driven by project scale-up from the Livalta (AB Agri) contract, but that could be curtailed, delayed or cancelled.
- Delays or cancellation of memorandums of understanding (MOUs).
- History of operating losses and might not achieve profitability.
- Operating efficiency challenges at its facilities or onsite for new or current projects.
- Funding of operations, lack of cash flow, lack of access to new capital or no borrowing ability.
- Lending ability is limited to only Pond Naturals subsidiary.
- Competition has increased over the past three years. Substitution of other processing types exist.
- Customer concentration with the two largest customers representing 44% of total revenues in 2020 and 44% in 2019 (on restated basis excluding Oil & Gas revenues).
- Biotech division might not achieve any revenues or profitability.
- Dilution from Equity Raises, Warrants, Options, Private Placements: 20 million shares potential dilution from warrants outstanding, Employee Stock Options and convertible debt. The company might need to raise capital by issuing additional shares, which would be dilutive to shareholders.
- New customer pursuits require reliance on algae growth studies, construction quality and reliance of a bioreactor, proper engineering, installation, commissioning and proper functioning.
- Licensing arrangements can be exclusive in some geographies and limit other additional opportunities in those geographic areas.
- Intellectual Property infringement and protection challenges.
- Third Party Manufacturing Reliance. The company's sourcing of materials, computers, lighting, sensors and other devices can be subject to a shortfall in supply and inventory. Defects or quality issues could hurt the company's reputation. Political risks (such as China), regulation changes and increased tariffs.
- Deferred Contract Revenue or Contract Receivables (like with Stelco) could be uncollectible.
- Regulatory changes or regulatory approvals needed.
- Non-brokered private placements can create share price volatility at time of announcement and if the holder sells in the near-term after the placement.
- Liquidity of stock shares as micro cap stock can cause large fluctuations in stock prices and bid/ask.
- Related Party Financing & Transactions: Chairman of the Board controls an entity which was originally issued convertible debt at 12% interest rate (similar to reference yields on high-yield rated securities), but amended recently to 9.55% rate. Loan origination fee was also received by affiliate party's company. Loans from affiliated parties or insiders can occur. Private placement too.
- Executive Officers & Directors could exert significant control over stockholder matters.
- Contract Receivables being partially or fully uncollectible or impaired. Bad Debt Provisions.
- Impairments of Tangible or Intangible Assets. Stelco Algae Holdings project agreement incurred impairments of $938,000 thus far. Oil & Gas operations, which are discontinued, had impairments.
- IFRS and not GAAP standards.
- Loss of tax credits or non-receipt of future ones from government or municipal entities.
- Material misstatement of consolidated financial statements. Internal control or audit errors.
- Capitalization of development costs, collectability of trades receivables and impairment of assets.
- Currency volatility with multiple countries of revenues. Canadian Dollar is functional currency.

MANAGEMENT TEAM

Grant Smith – Chief Executive Officer & Director
CEO since April 2020 and has served as President of the company's top-revenue generating subsidiary, Pond Naturals Inc. since December 2018. Mr. Smith is a 25-year veteran of the North American nutraceutical industry and has a strong track record of building strategic relationships and driving sustainable growth within an organization. Mr. Smith is responsible for shepherding a companywide effort to increase sales across all divisions as well as supporting the company's technology licensing efforts through the sourcing of off-take contracts for the high-value algae products produced. Mr. Smith also brings two decades of experience with global health supplements and ingredients. He was the President of RFI for nearly a decade and oversaw their expansion into the Canadian market.

Thomas Masney – Chief Financial Officer
CFO since 2014 and previously worked with Goldman Sachs & GE in venture capital, mergers & acquisitions projects, and for both Ernst & Young and Price Waterhouse in audit and corporate recovery. Mr. Masney has experience with mining, construction, manufacturing, technology and e-commerce.

Peter Howard – Vice President of Project Development
Joined the company in 2013 and became Business Development Project Leader in 2018. Mr. Howard has helped the company with strategy, corporate development for new markets and application of the company's technology, fundraising of capital and with new projects. Mr. Howard is involved with the local community with occasional instruction at the University of Toronto about climate policies and corporate climate policies. Mr. Howard was previously a Senior Policy Advisor for the Ontario Ministry of the Environment and Climate Change.

Emidio Di Pietro – Vice President of Engineering
Joined the company in 2010 and has comprehensive experience in high volume manufacturing environments, systematic improvements, solutions implementation, managing several areas of operations such as production, quality assurance and maintenance. Mr. Di Pietro He has extensive Engineering experience in areas of program management; from receipt of order to steady state production by managing the design, validation process, production launch & in-house/customer production process validation.

Dan O'Connor – Vice President of Business Development
Joined the company in 2021. Mr. O'Connor brings a wealth of experience from his entrepreneurial background in the technology, integrating controls systems and Biofuels industry. His most recent experience is in the cannabis industry, where he was involved with business and project development for Instadose Pharma. His will be involved with Pond's commercialization of their technology.

Cole Stevens – Vice President of Corporate Development
Joined the company in 2020. Mr. Stevens has more than a decade of experience building tactical partnerships, launching dynamic strategies and driving year-over-year portfolio growth. Mr. Stevens brings robust research skills and in-depth knowledge of retail and institutional investors for effective collaboration and communication with a diverse set of stakeholders.

Insiders and affiliated entities own approximately 18% of common shares (as of July 2021 incl warrants).

Mr. Robert McLeese (Chairman of the Board) owns 12.3% of the issued and outstanding shares.

INCOME STATEMENT FORECASTS

In Canadian Dollars:

(Canadian Dollars in Thousands; December Year-End)	2018***	2019*	1Q20*	2Q20*	3Q20*	4Q20**	2020*	1Q21	2Q21	3Q21	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Revenues:																						
Nutraceutical Products (Pond Naturals)	-	3,553	943	950	1,183	1,342	4,418	1,487	682	1,231	1,409	4,809	1,190	1,023	1,329	1,522	5,064	1,285	1,105	1,436	1,644	5,469
% change (yoy)		NM					24%	58%	-28%	4%	5%	9%	-20%	50%	8%	8%	5%	8%	8%	8%	8%	8%
Technology Services (Pond Carbon & Biotech)	1,433	851	119	80	92	91	382	14	18	932	957	1,921	890	797	1,564	1,473	4,724	1,483	1,361	2,202	2,093	7,138
% change (yoy)		-41%					-55%	-88%	-78%	913%	952%	403%	6260%	4326%	68%	54%	146%	67%	71%	41%	42%	51%
Oil & Natural Gas (discontinued)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
% change (yoy)																						
Total Revenues	**1,433**	**4,405**	**1,062**	**1,030**	**1,275**	**1,433**	**4,800**	**1,501**	**700**	**2,163**	**2,366**	**6,730**	**2,080**	**1,820**	**2,893**	**2,995**	**9,788**	**2,767**	**2,465**	**3,637**	**3,737**	**12,607**
% change (yoy)		**207%**					**9%**	**41%**	**-32%**	**70%**	**65%**	**40%**	**39%**	**160%**	**34%**	**27%**	**45%**	**33%**	**35%**	**26%**	**25%**	**29%**
Direct Costs & Expenses	1,237	3,748	859	761	1,100	1,110	3,830	1,230	549	1,260	1,825	4,864	1,681	1,383	2,090	2,190	7,343	2,181	1,815	2,562	2,634	9,192
Gross Profit	195	657	203	269	175	323	970	271	151	903	541	1,866	399	436	804	806	2,445	587	650	1,075	1,103	3,414
Gross Profit Margin	**13.6%**	**14.9%**	**19.1%**	**26.1%**	**13.7%**	**22.5%**	**20.2%**	**18.1%**	**21.6%**	**41.7%**	**22.8%**	**27.7%**	**19.2%**	**24.0%**	**27.8%**	**26.9%**	**25.0%**	**21.2%**	**26.4%**	**29.6%**	**29.5%**	**27.1%**
Operating Expenses:																						
Salaries & Benefits	1,617	2,038	351	121	203	444	1,119	402	171	295	400	1,268	400	180	260	420	1,260	420	189	273	441	1,323
Rent	81	127	24	-	-	35	59	10	-	-	20	30	18	18	18	10	64	19	19	19	11	67
Travel & Transportation	203	294	24	14	14	31	83	15	17	5	25	62	18	20	20	25	83	19	21	21	26	87
Project Supplies & Maintenance**	59	191	157	78	82	(193)	97	86	56	31	90	263	90	90	50	50	280	90	90	55	55	290
General & Administrative Expenses:																						
Legal	438	525	78	88	33	3	202	69	71	143	45	328	55	55	55	55	220	55	55	55	55	220
Computer & Tech	100	77	11	15	17	23	66	14	34	22	18	88	22	22	22	25	91	23	23	23	26	96
Consultants, Advisors, Investor Relations, Other	1,675	1,631	196	235	165	651	1,247	242	329	651	325	1,547	325	325	325	325	1,300	335	335	335	335	1,339
Total Operating Expenses	**4,174**	**4,883**	**841**	**551**	**514**	**994**	**2,873**	**838**	**678**	**1,147**	**923**	**3,586**	**928**	**710**	**750**	**910**	**3,298**	**961**	**732**	**781**	**949**	**3,422**
% change (yoy)		**17%**					**-41%**	0%	23%	123%	-7%	**25%**	11%	5%	-35%	-1%	**-8%**	4%	3%	4%	4%	**4%**
Amortization	863	515	81	81	81	315	558	151	129	173	321	774	159	135	182	337	813	163	140	187	347	837
Stock-based Compensation	485	329	58	164	12	147	381	285	75	140	25	525	135	135	135	135	540	149	149	149	149	594
Impairment of Goodwill (Capital Asset)	0	2,490	-	-		100	100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of Contract Receivable	0	674	-	-	-	258	258	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Abandonment of Intangible Asset	0	2	-	-	-	120	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income (Loss)	**(5,327)**	**(8,237)**	**(777)**	**(527)**	**(432)**	**(1,611)**	**(3,320)**	**(1,003)**	**(731)**	**(557)**	**(729)**	**(3,020)**	**(822)**	**(544)**	**(263)**	**(577)**	**(2,206)**	**(686)**	**(370)**	**(41)**	**(342)**	**(1,439)**
Net Interest Expense	543	472	211	160	220	235	826	40	205	238	232	715	226	226	226	226	903	226	226	226	226	903
Income before Taxes (Cont Ops)	**(5,869)**	**(8,709)**	**(988)**	**(687)**	**(652)**	**(1,846)**	**(4,146)**	**(1,043)**	**(936)**	**(795)**	**(961)**	**(3,735)**	**(1,048)**	**(770)**	**(489)**	**(803)**	**(3,109)**	**(912)**	**(595)**	**(267)**	**(568)**	**(2,342)**
Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Discontinued Ops (Loss) or Gain	0	(383)	(85)	(88)	(2,352)	0	(2,470)	0	239	0	0	239	0	0	0	0	0	0	0	0	0	0
Net Loss including Discontinued Ops	**(5,869)**	**(9,092)**	**(1,073)**	**(775)**	**(3,004)**	**(1,846)**	**(6,616)**	**(1,043)**	**(697)**	**(795)**	**(961)**	**(3,496)**	**(1,048)**	**(770)**	**(489)**	**(803)**	**(3,109)**	**(912)**	**(595)**	**(267)**	**(568)**	**(2,342)**
Net Loss Continuing Ops	**(5,869)**	**(8,709)**	**(988)**	**(687)**	**(652)**	**(1,846)**	**(4,146)**	**(1,043)**	**(936)**	**(795)**	**(961)**	**(3,735)**	**(1,048)**	**(770)**	**(489)**	**(803)**	**(3,109)**	**(912)**	**(595)**	**(267)**	**(568)**	**(2,342)**
Net Loss Adjusted Continuing Ops (excl stock co	**(5,384)**	**(8,380)**	**(930)**	**(523)**	**(640)**	**(1,699)**	**(3,765)**	**(758)**	**(861)**	**(655)**	**(936)**	**(3,210)**	**(913)**	**(635)**	**(354)**	**(668)**	**(2,569)**	**(763)**	**(447)**	**(119)**	**(419)**	**(1,748)**
EPS (including Discontinued Ops)	**($0.31)**	**($0.42)**	**($0.05)**	**($0.03)**	**($0.10)**	**($0.06)**	**($0.25)**	**($0.03)**	**($0.01)**	**($0.02)**	**($0.02)**	**($0.08)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.02)**	**($0.06)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.04)**
EPS (Continuing Ops)	**($0.31)**	**($0.41)**	**($0.04)**	**($0.03)**	**($0.02)**	**($0.06)**	**($0.16)**	**($0.03)**	**($0.02)**	**($0.02)**	**($0.02)**	**($0.08)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.02)**	**($0.06)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.04)**
EPS Adjusted (Continuing Ops excl stock comp)	**($0.28)**	**($0.39)**	**($0.04)**	**($0.02)**	**($0.02)**	**($0.06)**	**($0.15)**	**($0.02)**	**($0.02)**	**($0.01)**	**($0.02)**	**($0.07)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.05)**	**($0.01)**	**($0.01)**	**($0.00)**	**($0.01)**	**($0.03)**
EBITA (Continuing Ops)	**(4,464)**	**(7,722)**	**(696)**	**(446)**	**(351)**	**(1,296)**	**(2,762)**	**(852)**	**(602)**	**(384)**	**(407)**	**(2,245)**	**(664)**	**(409)**	**(81)**	**(239)**	**(1,393)**	**(522)**	**(230)**	**146**	**5**	**(601)**
EBITA Adjusted (Continuing Ops excl stock com	**(3,979)**	**(7,393)**	**(638)**	**(282)**	**(339)**	**(1,149)**	**(2,381)**	**(567)**	**(527)**	**(244)**	**(382)**	**(1,720)**	**(529)**	**(274)**	**54**	**(104)**	**(853)**	**(374)**	**(82)**	**294**	**154**	**(7)**
Diluted Shares (weighted ave incl Regenurex acq	18.9	21.4	22.8	23.2	28.8	29.0	**26.0**	36.6	47.9	49.6	51.7	**46.4**	51.7	51.7	51.7	53.3	**52.1**	53.3	53.3	53.3	54.9	**53.7**
Fully Diluted Shares (if incl Warrants & ESOs; fully diluted)								56.9	68.2	68.9	75.3	**67.3**	73.3	73.3	73.3	74.8	**73.7**	74.8	74.8	74.8	76.4	**75.2**
Margins:																						
Gross Margin	**13.6%**	**14.9%**	**19.1%**	**26.1%**	**13.7%**	**22.5%**	**20.2%**	**18.1%**	**21.6%**	**41.7%**	**22.8%**	**27.7%**	**19.2%**	**24.0%**	**27.8%**	**26.9%**	**25.0%**	**21.2%**	**26.4%**	**29.6%**	**29.5%**	**27.1%**
EBITA Margin Adjusted (excl stock comp)	**-277.6%**	**-167.8%**	**-60.1%**	**-27.4%**	**-26.6%**	**-80.2%**	**-49.6%**	**-37.8%**	**-75.3%**	**-11.3%**	**-16.2%**	**-25.6%**	**-25.4%**	**-15.0%**	**1.9%**	**-3.5%**	**-8.7%**	**-13.5%**	**-3.3%**	**8.1%**	**4.1%**	**-0.1%**
EBITA Margin (reported)	-311.5%	-175.3%	-65.5%	-43.3%	-27.5%	-90.5%	-57.5%	-56.8%	-86.0%	-17.8%	-17.2%	-33.4%	-31.9%	-22.5%	-2.8%	-8.0%	-14.2%	-18.9%	-9.3%	4.0%	0.1%	-4.8%
OpEx % of Revenues	291%	111%	79%	53%	40%	69%	60%	56%	97%	53%	39%	53%	45%	39%	26%	30%	34%	35%	30%	21%	25%	27%
Salaries & Benefits as % of Revenues	113%	46%	33%	12%	16%	31%	23%	27%	24%	14%	17%	19%	19%	10%	9%	14%	13%	15%	8%	8%	12%	10%
Consultants & Advisors as % of Revenues	117%	37%	18%	23%	13%	45%	26%	16%	47%	30%	14%	23%	16%	18%	11%	11%	13%	12%	14%	9%	9%	11%

*Restated for taking out Oil & Gas revenues and its related expenses; separated as discontinued loss/gain line item

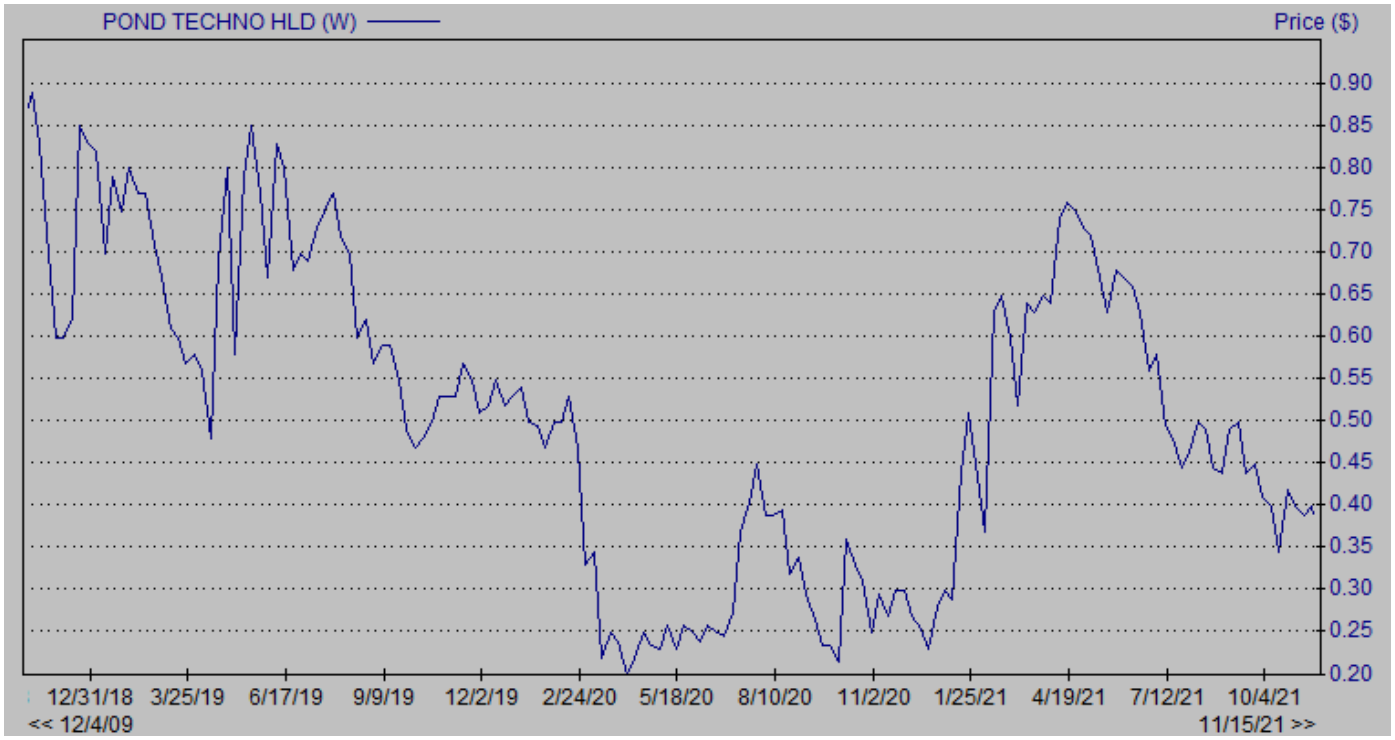
**Canada Employment Wage Subsidy program helped 2020 (recorded in 3Q20 & 4Q20) with offset of wages, salaries and direct costs and expenses (mainly taken out of Project Supplies & Maintenance)

***2018 is partially restated for only non-Oil & Gas revenues. Ignores most of the operating costs and expenses from Oil & Gas including depletion, amortization, loss on disposal of capital asset, cost recoveries benefit, royalties paid

Source: Zacks Investment Research, Inc. Tim Moore, CFA

HISTORICAL STOCK PRICE

POND.V ($ CAD; TSXV)



Source: Zacks SCR

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