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Zacks Small-Cap Research

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

POND.V: Thesis On-Track with Healthy Pipeline of Opportunities & Liquidity with Recent Private Placement

Based on a 15% premium to peer group industry average of 3.0x EV/Sales for 2022 applied to our 2023 Sales estimate (full year commercialization), the stock could be worth $0.80 CAD per share.

Current Price (3/15/22)	$0.22 CAD
Valuation	**$0.80 CAD**

OUTLOOK

We recently spoke with the management team and we remain confident in the company's prospects of revenue growth in 2022 and 2023.

Pond Technologies is laser-focused on its Carbon division opportunities for selling and licensing its carbon dioxide (CO_2) reduction technology and algae formation for animal feed, aqua farming and nutraceuticals. AB Agri contract is underway.

We reduce our price target valuation because of the stock market correction over the past two months causing the relative peer group to trade at lower valuation multiples. We expect this to be transitory

SUMMARY DATA

52-Week High (CAD)	**$0.80**
52-Week Low (CAD)	**$0.20**
One-Year Return (%)	**-67**
Beta	**1.44**
Average Daily Volume (sh)	**61,465**
Shares Outstanding (mil)	**53.0**
Market Capitalization ($mil)	**$11.7**
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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WHAT'S NEW

Business Update

We recently caught up with the management team of Pond Technologies. Following the private placement of net proceeds and their press release about the Carbon Division launch. Our thesis appears on track and we continue to expect at least 40% sales growth for calendar 2021 and 45% for 2022.

In November, we had modeled the Carbon Division in our initiation report, as the main topline growth driver. We are pleased to learn it is now a standalone division. Rather than including Biotech in that segment or division, which is not a near-term driver. We are confident that the management team is laser-focused on the commercialization opportunity set for Carbon.

While the Nutraceuticals side has a mid-single-digit sales growth profile, investors are beginning to hone in on the Carbon Division where the funnel and pipeline of opportunities has grown since last summer.

We forecast the Carbon Division could achieve 145% sales growth in 2022.

The company is likely to report year-end results in late April. We remind investors to think of revenues as a rolling 12-month measure rather than a single standalone quarter. Royalties and milestones are lumpy.

Highlights & Takeaways:

- **Funnel of opportunities and incoming calls has improved since last summer**. Awareness of Pond Technologies solutions is improving with ample runway remaining.

- **Animal feed is a large opportunity set, where algae protein can be added into animal feed** (at 3-5% of the feed). Cost-effective and helps with sustainability of food sources, while also drastically reducing methane emissions. Less arable land, depletion of fertile soil and climate change impact is beginning to compel a search for more sustainable agriculture and livestock.

  Cattle, pigs, chickens and goats are all viable potential beneficiaries of animal feed with algae.

  Pet food and dog food are additional possibilities for inroads of Spirulina and chlorella for treats, supplements and daily pet food. Plant-based source of protein and an Omega-3 source (EPA & DHA). We noticed that Chewy.com now offers a few vegetarian dry dog foods made from plant-protein (Addiction Zen, Natural Balance, Wild Earth).

- **Methane emissions reduction from algae replacing some of the grain in cattle's diet.** A mere 3% of a cow's diet intake being from algae protein (like Spirulina) could lead to a 90% decrease in methane emissions. Spirulina can also increase milk production by 20%.

  Cattle cause nearly 37% of all US methane emissions. Nearly 10% of global greenhouse gas emissions are caused by livestock, especially from cattle burps! On a yearly basis, one cow can belch 200 pounds of biogenic methane.

  While carbon dioxide (CO_2) emissions linger longer in the atmosphere than methane emissions (taking 50-200 years to dissolve compared to 12 years for methane), methane is 25-30 times more potent at trapping heat.

  Methane is highly regarded as the second most dangerous gas for global warming. The United States, along with 32 other countries, pledged to reduce methane emission by 30% by 2030. We envision some regulatory impact or subsidies going to cattle ranches and farmers in 2023 or 2024.

Cow feed would be a breakthrough win and has been on our wish list since November. We would like to see Pond Technologies achieve a maiden win of a cattle feed contract in the United States or Canada. That would then become a springboard for a series of wins after the first customer is successful with it and methane reduction. A very important catalyst, in our view.

- **Livalta (AB Agri, part of Associated British Foods) project for animal feed might begin its procurement stage next month**. The installation of the stack gas emitter top could occur in April. Despite continued supply chain constraints faced by many industrial companies, we believe that Pond Technologies can install the demonstration facility in the UK in 4Q22. While there have been delays for centrifuges and spray dryers, the complete system could be up and running by December.

- **Natural coloring opportunity set for cosmetics and food snacks remains a continued growth opportunity with ample potential for future new wins**. Some customers and branded products are moving towards more sustainable sources like spirulina, astaxanthin or chlorella. Algae extract can function as antioxidants, carotenoids, anti-inflammatory, protein to improve skin health & beauty.

- Fish feed remains a growing opportunity, especially as American diets are tilting more towards salmon, trout and shrimp.

- New win conversion leadtimes could be six months for lab trial centric potential customers. Whereas a pilot plant, with investments of $2-5 million, is more likely to require a leadtime of 6-12 months from initial talks to when full contract terms are signed.

- Climate change urgency has heightened during the past year. Global carbon dioxide emission levels hit historic highs in 2021 according to the IEA. The United States, European Unition, United Nations and Intergovernmental Panel on Climate Change (IPCC) have hone in more on global warming and reduction targets.

- Biotech & Therapeutics remain on the radar as a pursuit. We continue to model very minimal revenues for late 2023, but see it as optionality or gravy on top of its core business. Later on.

- Private placement this month raises at least $1 million for project equipment & staff hiring.

- Auditor change appears to stem from the prior auditor not as comfortable with public companies, having served as its pre-going public auditor when minimal revenues and no European revenues. Lastly, our understanding is that the prior auditor's account person covering the account for seven years was no longer going to be the pointperson after 2021. Upgrade to the more comprehensive firm of Baker Tilly WM LLP seems reasonable.

Conclusion

We believe that Pond Technologies is becoming well-positioned for winning additional contracts and can execute well on its Livalta (AB Agri) relationship. Animal feed and methane reduction remain are favorite growth catalysts for new contracts and project wins.

We reduce our price target valuation to $0.80 CAD because of the stock market correction over the past two months causing the relative peer group to trade at lower valuation multiples. This -18% de-rating of the peer group valuation since our initiation report in November could be transitory.

We remain hopeful that the board and management team consider an uplisting of the stock to the Nasdaq over the summer and a reverse stock split of 1-for-20 shares to accelerate a re-rating. Some portfolio managers are restricted from buying stocks below $2.

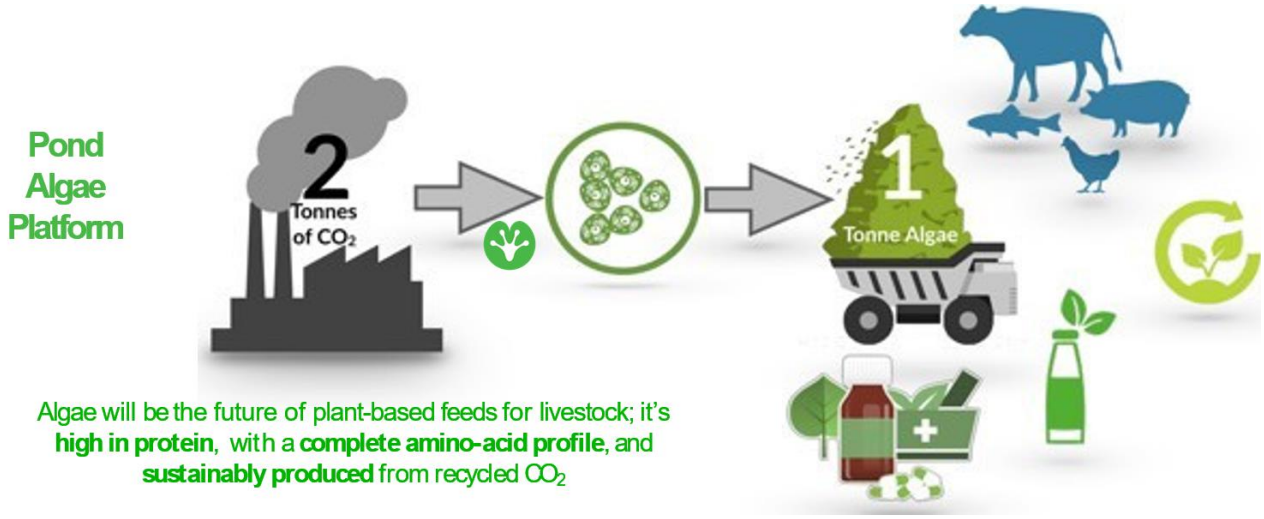
We refer investors to our initiation report from November 18th with complete thesis & catalysts.

Below are a few highlights from our recent initiation report:

- 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.

- 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.

- 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.



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 and has revenues**.

- **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.

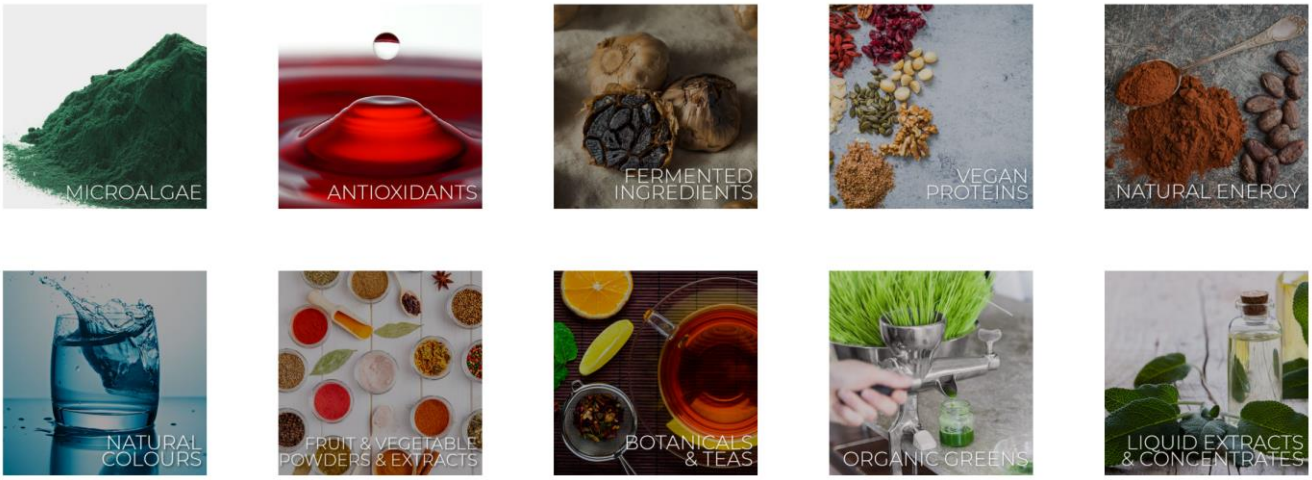
- **Double-benefit (emissions reduction + monetization of resultant byproduct) of algae creation in large scale**, which can be processed and included into nutraceuticals, animal feed (cattle, etc.), fish feed (aquafarming & wild fisheries), cosmetics and soil amendments. Over the next few years, it is possible that diagnostic reagents become a revenue stream.

  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 Technologies 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. Separately, methane reduction could also occur by blending algae into feedstock for cattle.

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.

- **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.

- **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. 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.

- **Revenues could grow 40% in 2021 and 45% in 2022 driven by the Livalta (AB Agri) agreement. For 2023, we forecast 29% Sales growth** driven by technology access and royalty component of the second part of Livalta agreement.

- **Breakeven adjusted EBITDA could be achieved in 2023 due to higher revenues scale**.

- **$0.80 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 3.0x 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 commanded a premium valuation in recent years.

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 $0.80 CAD ($0.65 USD) stock price per share target by applying the peer group average of 3.0x 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 9 months.

We used 53 million share count, which will increase because of the private placement occurring this month. Share count can climb if warrants are exercised, if the convertible debt converts to shares or additional private placements occur. Further dilution could total 32 million shares and take the share count to 85 million at some point. Although we suspect investors focus most on revenue growth.

Shortfall in topline growth for calendar 2022 would be the main risk if the company could not achieve robust revenue growth. Mis-execution of the Livalta (AB Agri) project would be another major risk to prevent the stock from achieving our price target. See other risks on page 8.

Net debt was $2.0 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
Questcor Technology	QST.V	1.45	40	25	6	17	4.1x	1.5x
Fuel Tech	FTEK	1.35	42	6	25	28	0.2x	0.2x
Pacific Green Technologies	PGTK	0.93	39	24	N/A	N/A	N/A	N/A
LiqTech International	LIQT	5.79	128	111	18	54	6.0x	2.0x
Advanced Emissions Solutions	ADES	5.82	110	81	62	76	1.3x	1.1x
Greenlane Renewables	GRN.TO	1.00	161	125	51	69	2.4x	1.8x
Bion Environmental	BNET	0.88	39	49	N/A	N/A	N/A	N/A
Midwest Energy Emissions	MEEC	0.42	39	49	14	29	3.4x	1.7x
Bioceres Crop Solutions	BIOX	14.73	606	703	285	311	2.5x	2.3x
Plant Health Care Plc	PHC.L	10.12	31	21	5	5	4.6x	4.0x
Plant Advanced Technlogies	ALPAT.PA	15.70	17	21	2	4	9.1x	5.5x
Fermentalg	FALG.PA	2.34	101	95	4	10	22.0x	9.3x
Avantium NV	AVTX.AS	4.59	119	84	17	19	4.8x	4.5x
Marrone Bio Innovations	MBII	0.77	139	149	44	56	3.4x	2.7x
EID Parry (parent of Parry Nutraceuticals)	EIDPARRY**(I	420.95	74,671	99,893	211,965	230,985	0.5x	0.4x
Simris Alg Ab	SIMRIS-B.ST	0.64	54	53	N/A	N/A	N/A	N/A
Earthrise Nutritionals	private				N/A	N/A	N/A	N/A
Cyanotech	private				N/A	N/A	N/A	N/A
AstaReal AB & AstaReal US	private				N/A	N/A	N/A	N/A
AlgaeCan Biotech Ltd (Canada)	private				N/A	N/A	N/A	N/A
Yunnan Green A Biological Project Co	private				N/A	N/A	N/A	N/A
Svante (Canada)	private				N/A	N/A	N/A	N/A
Climeworks	private				N/A	N/A	N/A	N/A
Carbon Cure	private				N/A	N/A	N/A	N/A
Global Thermostat	private				N/A	N/A	N/A	N/A
Provectus Algae Pty (Australia)	private				N/A	N/A	N/A	N/A
Algatech (part of Solabia pharma)	private				N/A	N/A	N/A	N/A
AlgaeCytes	private				N/A	N/A	N/A	N/A
BioProcess H20 (wastewater)	private				N/A	N/A	N/A	N/A
Algatechnologies Ltd	private				N/A	N/A	N/A	N/A
Peer Average**							**5.3x**	**3.0x**
Pond Technologies Holdings, Inc.	POND	$0.22	12	14	7	10	2.0x	1.4x
	Canadian	CAD	CAD	CAD	CAD	CAD		
					Discount to Peer Group		**-62%**	**-54%**

**3/15/22 closing prices **excludes private companies and conglomerate parent EID Parry*

Source: Yahoo Finance Consensus & Zacks SCR

RISKS

- If revenue growth does not materialize enough 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 is likely 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.
- Change in auditors.
- 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.

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)	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)	-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)	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)	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	6,838
Pond Biotech	NA	-	-	-	300
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%	45%
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%	54%
Pond Biotech	NA	0%	0%	0%	2%

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 $0.3 million revenues from Pond Biotech in 2023 (2024 catalyst). It will take several years to win any sizeable agreements for diagnostic kit reagents or Biopharma.

INCOME STATEMENT FORECASTS

In Canadian Dollars:

(Canadian Dollars in Thousands; December Year-End)	2018***	2019*	2020*	1Q21	2Q21	3Q21	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E
Revenues:																		
Nutraceutical Products (Pond Naturals)	-	3,553	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)	1,433	851	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**	**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	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	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%**	**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	1,119	402	171	295	400	1,268	400	180	260	420	1,260	420	189	273	441	1,323
Rent	81	127	59	10	-	-	20	30	18	18	18	10	64	19	19	19	11	67
Travel & Transportation	203	294	83	15	17	5	25	62	18	20	20	25	83	19	21	21	26	87
Project Supplies & Maintenance**	59	191	97	86	56	31	90	263	90	90	50	50	280	90	90	55	55	290
General & Administrative Expenses:																		
Legal	438	525	202	69	71	143	45	328	55	55	55	55	220	55	55	55	55	220
Computer & Tech	100	77	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	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**	**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	558	151	129	173	321	774	159	135	182	337	813	163	140	187	347	837
Stock-based Compensation	485	329	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment of Contract Receivable	0	674	258	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on Abandonment of Intangible Asset	0	2	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income (Loss)	**(5,327)**	**(8,237)**	**(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	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)**	**(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
Discontinued Ops (Loss) or Gain	0	(383)	(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)**	**(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)**	**(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)**	**(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)**	**($0.25)**	**($0.03)**	**($0.01)**	**($0.02)**	**($0.02)**	**($0.07)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.05)**	**($0.01)**	**($0.01)**	**($0.00)**	**($0.01)**	**($0.04)**
EPS (Continuing Ops)	**($0.31)**	**($0.41)**	**($0.16)**	**($0.03)**	**($0.02)**	**($0.02)**	**($0.02)**	**($0.08)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.05)**	**($0.01)**	**($0.01)**	**($0.00)**	**($0.01)**	**($0.04)**
EPS Adjusted (Continuing Ops excl stock comp)	**($0.28)**	**($0.39)**	**($0.15)**	**($0.02)**	**($0.02)**	**($0.01)**	**($0.02)**	**($0.07)**	**($0.02)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.04)**	**($0.01)**	**($0.01)**	**($0.00)**	**($0.01)**	**($0.03)**
EBITA (Continuing Ops)	**(4,464)**	**(7,722)**	**(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)**	**(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	**26.0**	36.6	47.9	49.6	52.7	**46.7**	59.2	59.2	59.2	61.0	**59.7**	61.0	61.0	61.0	62.8	**61.4**
Fully Diluted Shares (if incl Warrants & ESOs; fully diluted)				56.9	68.2	68.9	76.3	**67.6**	82.8	82.8	82.8	84.6	**83.2**	84.6	84.6	84.6	86.4	**85.0**
Margins:																		
Gross Margin	**13.6%**	**14.9%**	**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%**	**-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%	-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%	60%	56%	97%	53%	39%	53%	45%	39%	26%	30%	34%	35%	30%	21%	25%	27%
Salaries & Benefits as % of Revenues	113%	46%	23%	27%	24%	14%	17%	19%	19%	10%	9%	14%	13%	15%	8%	8%	12%	10%
Consultants & Advisors as % of Revenues	117%	37%	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

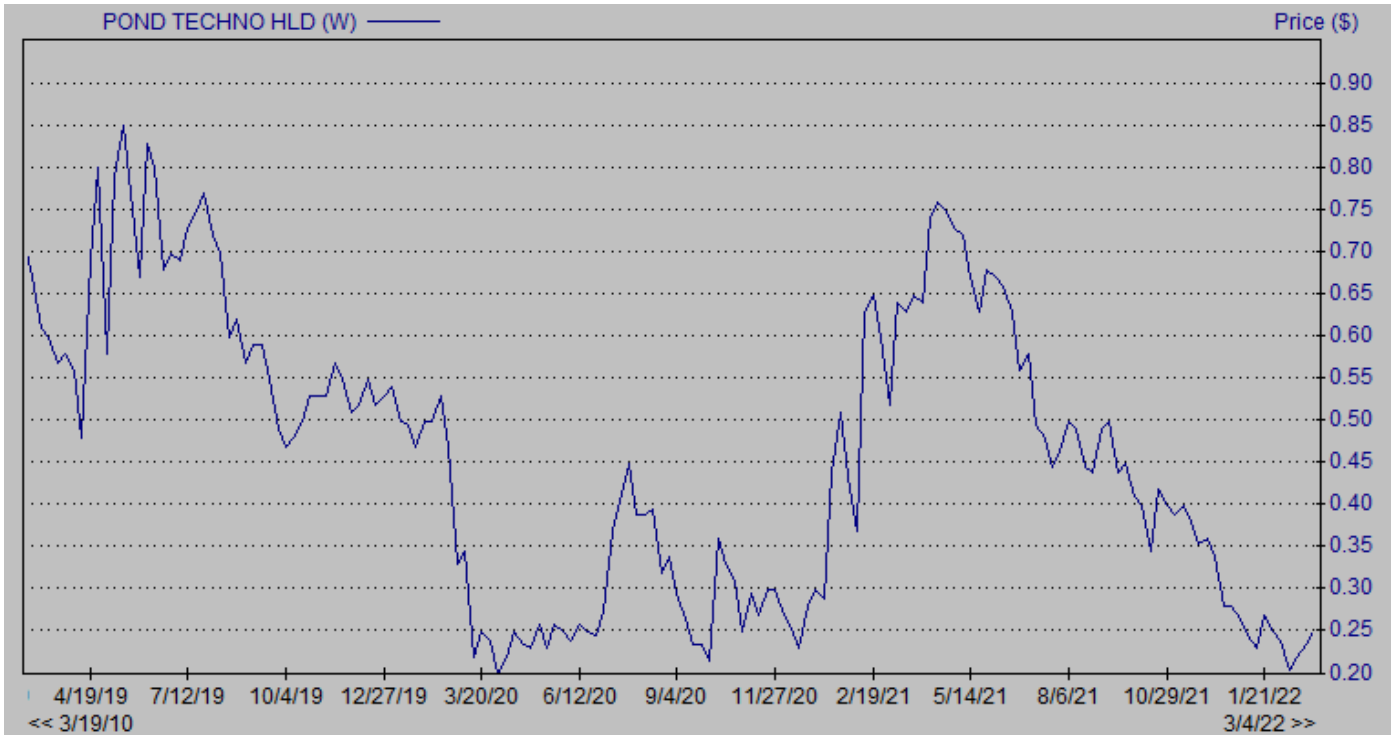
**Canada Employment Wage Subsidy program helped 2020 (recorded in 3Q20 & 4Q20) with offset of wages, salaries and direct costs and expenses (mainly taken out of Project Supplies & Maintenance)

***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, ro

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

HISTORICAL STOCK PRICE

POND.V ($ CAD; TSXV)



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