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QIS COMPANY PROFILE



NTG Clarity Networks Inc.
(NCI:TSX-V)

Date: June 8, 2018

Price: \$0.07

(coverage initiated on Feb. 4, 2010 at \$0.045)



KEY INFORMATION

Fiscal Year-end	December 31
52-Week High/Low	\$0.16 - \$0.025
3-Month Avg. Daily Trading Volume	34,604 shares
Market Capitalization	\$3.4 million
Enterprise Value	\$10.6 million
Book Value per Share	(\$0.06)
Working Capital per share (Mar. 31)	(\$0.10)
Current Ratio	0.6
Gross Margin (Q1 2018)	38%
LT Debt to Equity	0.0
Price to 2017 Earnings (after tax)	nm
Price to 2018e Earnings (after tax)	5.8

FINANCIAL HISTORY (000s of Canadian Dollars)

	2015	2016	2017	2018(e)
Revenues	15,533	11,372	14,360	16,000
Oper. Income	1,461	(5,466)	(323)	2,000
Net Income	368	(12,526)	(1,116)	600
per share	0.010	(0.35)	(0.023)	0.012

FINANCIAL DATA (000s of Canadian Dollars)

	3 Months Mar. 31		Year End Dec. 31	
	2018	2017	2017	2016
Revenues	\$4,049	\$3,008	\$14,360	\$11,372
Cost of Sales	2,501	2,424	9,318	9,437
Gross Profit	1,548	584	5,042	1,935
Forex Loss (Gain)	9	156	42	353
Net Income	160	(753)	(1,116)	(12,526)
per share	0.003	(0.018)	(0.023)	(0.35)

BALANCE SHEET (as at March 31, 2018)

Current Assets	\$ 6,739,520
Total Assets	8,587,262
Current Liabilities	11,479,398
Long-Term Debt	Nil
Shareholders' Equity (Deficiency)	(2,900,141)

SHARES OUTSTANDING (as at March 31, 2018)

Basic (27% held by mgmt & insiders)	48,562,355
Fully-Diluted	52,368,355

Highlights:

- 34% increase in revenues, 21% decrease in operating expenses, and a 16% decrease in G&A expenses in Q1/18
- returned to profitability in Q1/18
- recently received a \$1 million grant to develop an autonomous vehicle user interface
- targeting an expanding international market, primarily the Middle East

QUICK SUMMARY

During the first quarter of 2018, NTG Clarity posted sales of \$4.0 million, a 34% increase from last year. Gross margin was 38% during Q1/18 compared to just 19% during Q1/17. Operating expenses during the period were reduced by 21% and G&A expenses were reduced by 16%, leading to net income of \$160,482, compared to a loss of (\$752,579) in the prior year.

Lower oil prices and a weak Egyptian currency have posed significant challenges for NTG Clarity over the past few years as the company's business relies on the economic stability of the Middle East. However, the outlook is now turning positive as costs are under control and the rise in oil price has drastically improved economic conditions in the company's core region.

CORPORATE OVERVIEW

NTG Clarity's vision is to be a global leader in providing networking solutions. Established in 1992, the company delivers networking, information technology, and network-enabled application software solutions to network service providers and large enterprises. NTG Clarity has offices in Canada, Egypt, USA, Saudi Arabia, Kuwait and Oman.

The company's primary business focus is on the sale and installation of its OSS/BSS (Operations / Business Support System) product called NTS (Network & Telecom System) and the associated consulting services and training. NTS has been designed to handle the full customer service cycle from the initial order request through network equipment configuration to implementation support, billing and maintenance.

NTG Clarity has developed a number of ancillary product offerings including the following:

StageEM - an enterprise solution that encompasses project portfolio management, demand and capacity, analytic and dashboard and decision-making using real-time data. StageEM supports the decision-making process, enables organizations to perform planning, budgeting, and financial forecasting to align with the corporate strategy, and supports the set-up, performance, and monitoring of defined tasks.

Workflow Management - enables organizations to quickly and easily design, deploy, execute, monitor and analyze business processes while gaining efficiency, the best cost / value ratio and maximum scalability.

Network Inventory Management - allows organizations to gain full visibility of networks, services, and resources for faster and accurate service fulfillment.

Partner Relationship Management (PRM) - covers the complete value chain of partnerships and enables vendors to better manage their strategic partners.

NTS Asset Management - tracks the life-cycle of inventory from acquisition to delivery to retirement.

NTS Trouble Ticket Management - manages customer and network trouble tickets.

NTS Utility Billing - manages one or more utility services whether metered or unmetered, and provides quick and easy solutions to create and manage invoices, customers, products/services and payments.

VoWiFi – proprietary VoWiFi solution as part of building and upgrading wireless broadband quad-play networks with native phone dialer solutions.

NTS Telco In a Box - a per-integrated CRM, order management, fulfillment and billing solution.

Professional service revenue also continues to be an important strategic source of revenue for NTG Clarity given its generally recurring nature (86%). Management is currently working towards reaching a more balanced split between professional services and product related sales. Much of the company's professional services revenue including **Solution Development, System Integration, Testing as a Service, Outsourcing, Consulting and Training** arises from product sales.

On October 18, 2017, NTG announced a \$4.5 million frame agreement contract with an operator in the Gulf region. The initial phase will cover a 3 year period with an expected increase in contract value during 2018 as the company supplies additional resources.

NTG Clarity continues to land smaller deals including a \$300,000, 1-year government contract that was reported in October 2017, four orders totaling \$580,000 from Egypt in December 2017 and a \$670,000 purchase order with a new customer in the Gulf region in January 2018.

In May 2018, the company was awarded a \$963,400 grant to develop an autonomous vehicle user interface. This system will standardize what is currently developed ad hoc by vehicle manufacturers and provide a model for regulatory bodies to develop standards for in-vehicle console displays.

The first quarter of 2018 marks the most profitable quarter for the company since Q1/15. This is a testament to the cost-cutting measures implemented over the last 18 months and new revenue opportunities as a result of an improvement in economic conditions in the Middle East. The company is currently working on a number of new initiatives which it expects will build on its business model and open up new revenue streams in the second half of this year.

NTG Clarity is currently trading at an enterprise value of only two-thirds of its current annual revenue stream and at a price/earnings multiple of less than 6X its annualized earnings from the first quarter. The company has come a tremendous distance in the past 18 months and now appears poised for a solid year of profits in 2018. This will help to continue to improve the balance sheet while the company remains open to various financing initiatives to facilitate future growth.

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