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QIS COMPANY PROFILE



NTG Clarity Networks Inc.

(NCI:TSX-V)

Date: Nov. 26, 2018

Price: \$0.045

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



KEY INFORMATION

Fiscal Year-end	December 31
52-Week High/Low	\$0.16 - \$0.03
3-Month Avg. Daily Trading Volume	34,929 shares
Market Capitalization	\$2.2 million
Enterprise Value	\$9.2 million
Book Value per Share	(\$0.06)
Working Capital per share (Sep. 30)	(\$0.09)
Current Ratio	0.6
Gross Margin	44%
LT Debt to Equity	0.0
Price to 2017 Earnings (after tax)	nm
Price to 2018e Earnings (after tax)	9.0

FINANCIAL HISTORY (000s of Canadian Dollars)

	2015	2016	2017	2018(e)
Revenues	15,533	11,372	14,360	14,000
Oper. Income	1,461	(5,466)	(323)	1,700
Net Income	368	(12,526)	(1,116)	250
per share	0.010	(0.35)	(0.023)	0.005

FINANCIAL DATA (000s of Canadian Dollars)

	3 Months Sep. 30		9 Months Sep. 30	
	2018	2017	2018	2017
Revenues	\$3,501	\$3,309	\$10,159	\$10,466
Cost of Sales	1,766	1,458	5,644	6,745
Gross Profit	1,736	1,851	4,515	3,721
Forex Loss (Gain)	230	(59)	48	(18)
Net Income	7	131	183	(707)
per share	0.000	0.003	0.004	(0.02)

BALANCE SHEET (as at September 30, 2018)

Current Assets	\$ 7,460,247
Total Assets	9,096,015
Current Liabilities	11,794,034
Long-Term Debt	nil
Shareholders' Equity (Deficiency)	(2,792,378)

SHARES OUTSTANDING (as at September 30, 2018)

Basic (27% held by mgmt & insiders)	48,662,355
Fully-Diluted	52,471,355

Highlights:

- 3% decline in revenues, 20% decrease in G&A expenses, and a 13% decrease in selling expenses in first 9 months of 2018
- third consecutive quarter of profitability
- recently received a \$1 million grant to develop an autonomous vehicle user interface
- targeting an expanding international market, primarily the Middle East

QUICK SUMMARY

Over the past 18 months due to a slowdown in key operating regions, NTG Clarity has been focused on reducing expenses, increasing margins and marketing new products. Lower oil prices and a weak Egyptian currency have posed significant challenges over the past few years as the company's business relies on the economic stability of the Middle East.

During the first 9 months of 2018, the company posted a 3% decrease in sales to \$10.2 million. Gross margin improved to 44% compared to just 36% last year. Meanwhile, G&A expenses were reduced by 20%, and selling expenses were reduced by 13%, leading to net income of \$183,406 compared to a net loss of \$706,810 in 2017. The company has now posted three consecutive quarters of positive net income.

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 – an 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.

In June 2018, as a result of actively marketing the company's IoT (Internet of things) solutions, NTG Clarity received a PO in Toronto for manufacturing tracking. This project commenced in the third quarter and is expected to open new opportunities with manufacturing customers.

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 regulators to develop standards for console displays.

NTG Clarity has now posted three consecutive quarters of positive net income and looks to return to full profitability during 2018. This is a testament to the cost-cutting measures implemented over the last 18 months and new revenue opportunities as economic conditions improve 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 2019.

NTG Clarity is currently trading at an enterprise value of only two-thirds of its current annual revenue stream and at a p/e multiple of less than 10X. Improving margins and strengthening the balance sheet are both of primary importance to NTG Clarity to build a solid foundation from which to facilitate future growth.

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