

CIBT Education Group Inc. (TSX: MBA) – FY2017 Revenues Beat Expectations

Sector/Industry: Education Services

www.cibt.net

Market Data (as of December 12, 2017)

Current Price	C\$0.68
Fair Value	C\$1.43
Rating*	BUY
Risk*	3
52 Week Range	C\$0.58 - C\$0.96
Shares O/S	78,402,350
Market Cap	C\$53.31 mm
Current Yield	N/A
P/E (forward)	N/A
P/B	1.8x
YoY Return	13.3%
YoY TSX	6.1%

*See back of report for rating and risk definitions



Highlights

- CIBT's share price is down 27% from a high of \$0.93 per share in May 2017. We believe the recent softness offers investors an attractive entry point.
- In FY2017, revenues increased by 48.5% YOY, to \$54 million, and significantly exceeded our forecasts.
- EBITDA was \$4.58 million in FY2017, versus -\$0.53 million in FY2016. Note that our estimates are different from the company's estimates as we have not accounted for any gain on investments.
- Rental revenues from the three operating real estate assets were \$8.62 million in the year, versus \$4.96 million in FY2016.
- Approximately 530 beds are currently in operation. Management expects to add over 310 beds by March 2018, with another 2,588 beds under development.
- Vancouver's rental market remains extremely tight with rental rates at historical highs, and vacancy remaining low.
- We are raising our FY2018 revenue estimate from \$69 million to \$77 million.
- Management is expecting to receive a Development Permit, and a Building Permit, for the Mega Center (Surrey) in the coming months. A Phase II - \$38 million equity raise is currently ongoing, of which, the company has already raised \$8 million.

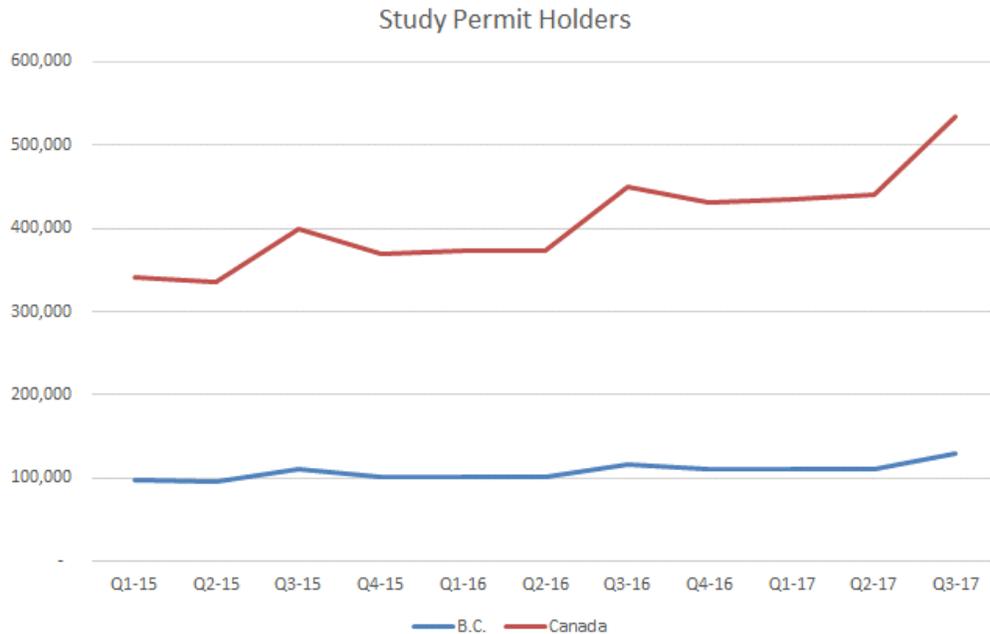
Key Financial Data

(in C\$); YE - Aug 31	2015	2016	2017	2018E	2019E
Revenues	32,178,951	36,114,144	53,622,229	77,294,661	89,521,220
EBITDA	691,627	(527,312)	4,576,382	20,941,973	29,185,459
EBITDA Margin	2.1%	-1.5%	8.5%	27.1%	32.6%
Net Income	6,000,774	9,215,414	8,122,442	33,100,859	37,278,323
EPS (Basic)	0.09	0.13	0.11	0.42	0.48
Debt to Capital	44.0%	35.2%	43.8%	54.9%	57.7%
ROE	20.1%	17.5%	8.3%	41.8%	33.9%

*The net profit / loss figures include CIBT's share of the net profit / loss and non-controlling interests.

Increasing International Students

According to Immigration, Refugees and Citizenship Canada (“IRCC”), the number of international students entering Canada increased by 22% in 2016. The following chart shows the increase in study permit holders since Q1-2015. From Q1-2015 to Q3-2017, study permit holders in B.C. were up 32%, to 130,140.



Source: IRCC

Update on the Vancouver RE Market

Vancouver’s real estate market is in strong recovery mode. After experiencing a YoY decline in sales every month this year from January to July, the market saw a strong turnaround in August as sales increased by 22% YoY. September sales were up 25% YoY, and October sales were up 35% YoY.

Metro Vancouver Statistics

Metro Vancouver	Feb-16	Feb-17	YoY	Mar-16	Mar-17	YoY	Apr-16	Apr-17	YoY
Residential Sales	4,172	2,425	-42%	5,173	3,579	-31%	4,781	3,553	-26%
New Listings	5,812	3,666	-37%	6,278	4,762	-24%	6,127	4,907	-20%
Active Listings	7,299	7,594	4%	7,358	7,586	3%	7,550	7,813	3%
Sales to Listings	57.16%	31.93%		70.30%	47.18%		63.32%	45.48%	
MLS Home Price Index	795,500	906,700	14%	815,000	919,300	13%	844,800	941,100	10%

Metro Vancouver	May-16	May-17	YoY	Jun-16	Jun-17	YoY	Jul-16	Jul-17	YoY
Residential Sales	4,769	4,364	-8%	4,400	3,897	-11%	3,226	2,960	-8%
New Listings	6,289	6,044	-4%	5,875	5,721	-3%	5,241	5,256	0%
Active Listings	7,726	8,186	19%	7,812	8,515	9%	8,351	9,194	10%
Sales to Listings	61.73%	53.31%		56.32%	45.77%		38.63%	32.19%	
MLS Home Price Index	889,100	967,500	9%	917,800	998,700	9%	930,400	1,019,400	10%

Metro Vancouver	Aug-16	Aug-17	YoY	Sep-16	Sep-17	YoY	Oct-16	Oct-17	YoY
Residential Sales	2,489	3,043	22%	2,253	2,821	25%	2,233	3,022	35%
New Listings	4,293	4,245	-1%	4,799	5,375	12%	3,981	4,539	14%
Active Listings	8,506	8,807	4%	9,354	9,466	1%	9,143	9,137	0%
Sales to Listings	29.26%	34.55%		24.09%	29.80%		24.42%	33.07%	
MLS Home Price Index	933,100	1,029,700	10%	926,600	1,037,300	12%	919,300	1,042,300	13%

Source: Real Estate Board of Greater Vancouver

As shown in the table above, property prices were rising even during a period of declining sales. The sales to active ratio was 33% in October 2017, versus 24% in October 2016. We consider this a positive development as it indicates market strength.

Vancouver’s rental market remains extremely tight with rental rates at historical highs, and vacancy remaining low.

Vacancy and Rent

Vancouver CMA	Bachelor			1 Bedroom			2 Bedroom			3 Bedroom		
	Oct-15	Oct-16	Oct-17	Oct-15	Oct-16	Oct-17	Oct-15	Oct-16	Oct-17	Oct-15	Oct-16	Oct-17
Vacancy Rate	0.6%	0.7%	0.80%	0.8%	0.7%	0.9%	0.9%	0.7%	1.0%	1.4%	1.4%	1.6%
Apartment Average Rent	\$937	\$1,013	\$1,060	\$1,079	\$1,159	\$1,223	\$1,368	\$1,450	\$1,552	\$1,615	\$1,631	\$1,801
YOY Change		8.1%	4.6%		7.4%	5.5%		6.0%	7.0%		1.0%	10.4%

Source: CMHC

Immigration and foreign investment are expected to continue due to the city’s global appeal, Canada’s economic stability, and the weakness in the C\$. **We expect these factors to continue to push demand for affordable housing, especially for students, and lower income households.**

The table below shows an updated summary of the acquired projects and the projects under development.

GEC’s RE Portfolio

Project #	GEC Project 3	GEC Project 5	GEC Project 6	GEC Project 2	GEC Project 4	GEC Project 1	GEC Project 7	Total
	Viva	Burnaby Heights	West King Edward II	Pearson	Granville	Super Center(Richmond)	Mega Center (Surrey)	
Projected Annual Rental Income (FRC Est.)	\$3,500,000	\$1,775,000	\$1,836,204	\$4,250,000	\$6,400,000	\$18,200,000	\$23,000,000	\$58,961,204
CIBT Ownership	20.0%	25.0%	23.0%	42.8%	20.0%	27.1%	20.0%	
CIBT Management Fee	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
Purchase Price / Construction Costs	\$35,000,000	\$17,750,000	\$18,362,041	\$42,500,000	\$39,000,000	\$182,000,000	\$230,000,000	\$564,612,041
Beds	225	84	188	310	225	1000	1400	3,432
Status	Operating	Operating	Under Development (operational by July 2018)	Under Construction (operational by early 2018)	Operating	In Planning Stages (expected completion in Spring 2020)	In Planning Stages (expected completion in Spring 2020)	
NOI Estimate (FRC est.)	\$1,931,961	\$887,373	\$964,007	\$2,231,250	\$3,360,000	\$10,920,000	\$13,800,000	\$34,094,591
Cap Rate (assumption)	3.6%	3.7%	4.2%	4.5%	4.5%	4.5%	4.5%	
Current Valuation (FRC est.)	\$54,110,000	\$23,900,000	\$23,000,000	\$49,583,333	\$74,666,667	\$242,666,667	\$306,666,667	\$774,593,333
Gain (FRC Est.)	\$19,110,000	\$6,150,000	\$4,637,959	\$7,083,333	\$35,666,667	\$60,666,667	\$76,666,667	\$209,981,292

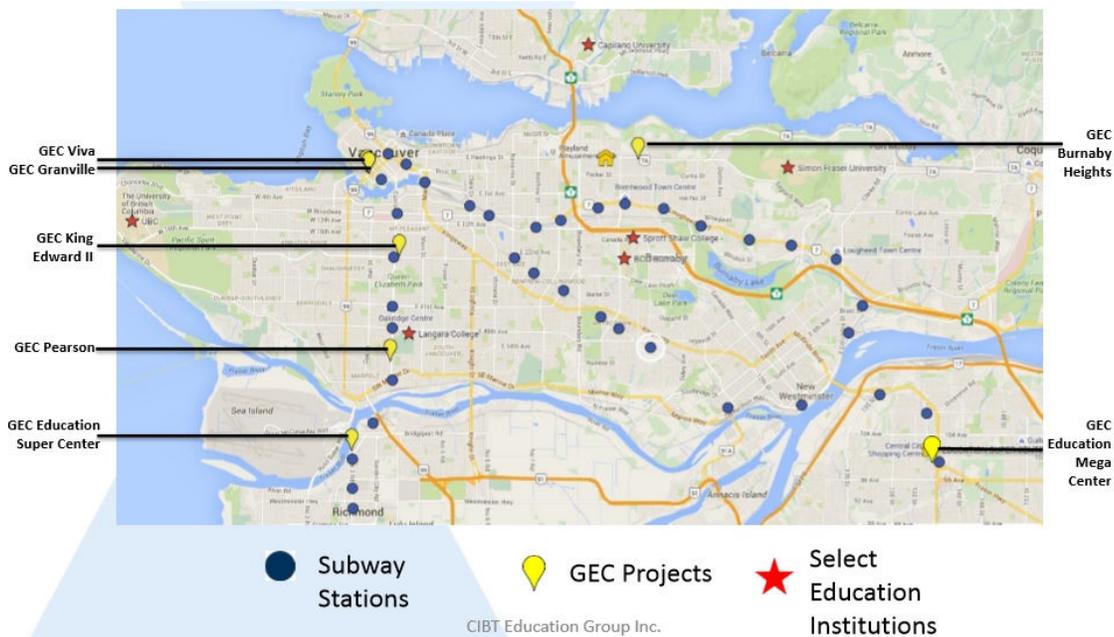
*GEC Education Super/Mega Center Ownership may change with project financing

* Our preliminary rental income estimates were based on approximately 10% of the cost price for each project.

Source: Company and FRC

Approximately 530 beds are currently in operation. **Management expects to have over 840 beds by March 2018, with another 2,588 beds under development.**

A map showing the company’s seven projects is presented below.



Source: Company

In November 2017, the company reported that its Mega Center (Surrey) received third reading approval by the Surrey City Council. The fourth and final reading is expected to be completed by Q1-2018. Management expects to receive a Development Permit and a Building Permit in the coming months. A Phase II / \$38 million equity raise is currently ongoing, of which, the company has already raised \$8 million.

In the recent MD&A, the company disclosed that they are planning to exit two undisclosed projects, and monetize their significant increase in property valuations.

In FY2017, revenues increased 48.5% YOY, to \$54 million, and significantly exceeded our forecasts. The table below summarizes the company’s key divisions and their revenues.

Revenues up 48.5% YOY

Revenues and Margins by Segment

	2016A	2017A	YOY
SSC + Others			
Revenues	25,421,075	36,048,802	41.8%
Gross Margins	57.40%	53.6%	
CIBT			
Revenues	2,208,235	1,726,461	-21.8%
Gross Margins	41.70%	45.6%	
IRIX			
Revenues	775,266	998,824	28.8%
Gross Margins	79.2%	75.9%	
Commissions + Referral Fees			
Revenues	1,036,372	852,172	-17.8%
Gross Margins	34%	41.6%	
Global Education City			
Revenues (rental)	4,959,459	8,623,826	73.9%
Gross Margins	22.5%	33.1%	
Global Education City			
Development fees	1,713,737	5,372,144	213.5%
Overall Revenues	36,114,144	53,622,229	48.5%
Overall Gross Margins	53.5%	54.9%	

Source: Company Data

Revenue growth primarily came from the strong growth in rental revenues, development fees, and the acquisition of the Vancouver International College and KGIC.

- **Educational revenues** (excluding China) were \$36.05 million, up 42% (our forecast - \$34.13 million).
- **Development fees** increased 214% YoY to \$5.37 million (our forecast - \$5.62 million).
- The company reported **rental revenues** of \$8.62 million for the year (our forecast - \$6.94 million), versus \$4.96 million in FY2016. Revenues came from Viva Suites Hotel, Granville, and Burnaby Heights. Approximately 50% of Viva is currently operational, with renovation of the remaining 50% to be completed in Q1-2018.

We are raising our FY2018 revenue estimate from \$69 million to \$77 million. We are

also introducing our FY2019 estimate in this report, which is \$90 million.

Gross margins improved to 55% as rental operations started to stabilize as well as the significant increase in development fees (which have 100% margins), offset by a drop in margins from the educational business (53%). We are lowering our FY2018 margin forecast on the education business from 60% to 57%.

Margins

	2016A	2017A
Gross	53.5%	54.9%
EBITDA	-1.5%	8.5%
EBIT	-3.9%	6.1%
EBT	-5.8%	4.5%
Net	-9.9%	0.9%

Source: Company Data

General and administrative (“G&A”) expenses increased by 25% YOY to \$25 million, and were in line with our estimates.

EBITDA was \$4.58 million in FY2017 versus -\$0.53 million in FY2016.

The total **gain in the valuation of properties** was \$10.47 million in FY2017, versus \$9.78 million in FY2016. Since inception of the real estate business, the company has reported total gains of \$27.86 million. The table on page 5 shows our estimates of the expected increase in valuations of the three operating assets, Pearson and West King Edward II. **We estimate a total valuation gain of \$43 million on Pearson and Granville, which is likely to be reported in FY2018/FY2019.**

CIBT reported net income of \$8.12 million (EPS: \$0.11) in FY2017, versus \$9.22 million (EPS: \$0.13) in FY2016. After deducting non-controlling interests, CIBT reported net income of \$2.23 million (EPS: \$0.03) in FY2017, versus \$3.91 million (EPS: \$0.06) in FY2016. The higher net profit last year was a result of the \$3.83 million gain in sale of the Acsenda School of Management.

We are adjusting our FY2018 net income estimate from \$11.95 million / EPS: \$0.15 to \$15.67 million / EPS: \$0.20. Our FY2019 estimate is \$18.63 million / EPS: \$0.24. Note that these figures are net of non-controlling interests.

Cash Flows

Operating cash flows were \$11 million in FY2017, versus -\$0.64 million in FY2016.

Balance Sheet

Summary of Cash Flows		
(C\$, mm)	2016A	2017A
Operating	-\$0.64	\$11.00
Investing	-\$7.10	-\$46.00
Financing	\$9.76	\$37.53
Effects of Exchange Rate	\$0.03	\$0.01
Net	\$2.05	\$2.54

Source: Company Data

At the end of FY2017, the company had \$7.13 million in cash. Debt to capital was at 43%.

Liquidity & Capital Structure (C\$)	2016A	2017A
Cash + Restricted Cash	\$4,489,971	\$7,129,892
Working Capital	-\$3,994,904	-\$40,534,349
Current Ratio	0.76	0.32
Debt/Capital	35.21%	43.78%
EBIT Interest Coverage	(1.0)	1.2

Source: Company Data

Working capital and the current ratio were -\$40.53 million and 0.3x, respectively. The negative working capital was due to \$33.36 million in mortgages, and \$18.45 million in deferred revenues.

The company had total debt of \$58.83 million, including \$55.30 million in mortgages on three properties (Viva / Burnaby Heights / West King Edward II), \$1.18 million in convertible debentures, and \$2.35 million from a credit facility. Subsequent to the year end, \$19.50 million in new mortgages were added, including \$10 million on the Super Center, and \$9.50 million on West King Edward II.

Stock Options and Warrants

The company had 1.64 million options (weighted average exercise price – \$0.71), and 3.69 million warrants (weighted average exercise price – \$0.75) outstanding. 0.32 million options are currently in the money.

Valuation and Rating

We are raising our fair value estimate to \$1.43 from \$1.40 per share. The following table summarizes our valuation.

Risks

Valuation	Fair Value	Fair Value per Share
Education Management		
* Discounted Cash Flow @ 10%	\$65,449,222	\$0.83
* EV / Revenue @ 1.5x	\$82,091,991	\$1.05
Average	\$73,770,607	\$0.94
Student Housing (GEC)		
	\$38,196,678	\$0.49
Fair Value Estimate	\$111,967,285	\$1.43

Source: FRC

The following risks may cause our estimates to differ from actual results (not exhaustive):

- Competition in the private education business in Canada is high.
- Real estate development and financing risks associated with GEC.
- Health of the rental market in Vancouver.
- The company’s profitability is highly dependent on the health of the student housing real estate market in the Greater Vancouver area.
- Although the company has been able to pursue cheap acquisitions in the past, there is no guarantee they would be able to continue to do so going forward.
- Exchange rate risks exist, but are not significant as revenues from China account for less than 10% of total revenues.

Appendix

CONSOLIDATED STATEMENTS OF OPERATIONS				
(in C\$)				
	2016A	2017A	2018F	2019F
REVENUES				
Educational	27,629,310	37,775,263	52,827,057	55,432,845
Rental	4,959,459	8,623,826	12,216,667	17,765,000
Commissions + Referral Fees	1,036,372	852,172	852,172	852,172
Design and advertising IRIX	775,266	998,824	1,048,765	1,101,203
Development fees	1,713,737	5,372,144	10,350,000	14,370,000
Total Revenues	36,114,144	53,622,229	77,294,661	89,521,220
DIRECT COSTS				
Educational	12,100,972	17,653,341	22,673,781	23,787,909
Commissions + Referral Fees	679,513	497,650	489,999	489,999
Rental	3,844,123	5,766,940	6,719,167	8,882,500
Design and advertising IRIX	161,204	240,809	262,191	275,301
Total Direct Costs	16,785,812	24,158,740	30,145,138	33,435,709
Gross Profit	19,328,332	29,463,489	47,149,523	56,085,511
EXPENSES				
Stock-based compensation	26,758	194,365	280,171	324,488
General and administrative	19,828,886	24,692,742	25,927,379	26,575,564
Business development costs/others				
Total Expenses	19,855,644	24,887,107	26,207,550	26,900,052
EBITDA	(527,312)	4,576,382	20,941,973	29,185,459
Amortization	870,376	1,290,329	1,732,110	1,746,034
EBIT	(1,397,688)	3,286,053	19,209,863	27,439,425
Interest / Finance Cost	(1,394,171)	(2,640,046)	(5,663,387)	(7,560,271)
Interest Income	645,861	1,781,861		
Foreign exchange (loss) gain	39,345	(40,288)		
Loss on disposal of property, plant and equipment	(8,363)	34,771	-	-
EBT	(2,115,016)	2,422,351	13,546,476	19,879,154
Loss of investment in associates	(820,662)	(1,268,036)		
Gain on Change of Property Fair Value	9,779,146	10,470,322	21,375,000	21,375,000
Gain on sale of discontinued operations / others	3,827,120	(1,611,113)	-	-
Net Profit (Loss) before tax	10,670,588	10,013,524	34,921,476	41,254,154
Taxes	1,455,174	1,891,082	1,820,617	3,975,831
Net Profit (Loss)	9,215,414	8,122,442	33,100,859	37,278,323
EPS	0.13	0.11	0.42	0.48
Non-controlling interests	(5,309,450)	(5,896,938)	(17,432,733)	(18,644,898)
Net Profit (Loss) to CIBT shareholders	3,905,964	2,225,504	15,668,126	18,633,425
EPS	0.06	0.03	0.20	0.24

CONSOLIDATED BALANCE SHEETS				
(in C\$)				
	2016A	2017A	2018F	2019F
ASSETS				
CURRENT				
Cash and short-term investments	4,489,971	7,129,892	19,565,638	32,523,547
Cash in escrow / trust				
Accounts receivable	6,795,474	9,271,204	22,003,156	25,483,641
Prepays and other	695,716	1,285,875	1,693,363	1,961,221
Others	-	930,149	930,149	930,149
Inventory	363,293	584,392	584,392	584,392
Total Current Assets	12,344,454	19,201,512	44,776,698	61,482,951
Due from Related Parties	2,329,947	2,776,320	2,776,320	2,776,320
Property and Equipment	2,103,147	4,142,299	5,147,597	6,239,501
Intangible Assets	8,182,067	13,178,800	12,312,745	11,439,728
Goodwill	5,721,907	7,056,274	7,056,274	7,056,274
Future Income Tax	2,091,845	2,046,307	2,046,307	2,046,307
Deferred Cur. Dev. Costs & Other Assets	1,522,116	1,854,124	1,854,124	1,854,124
Investment property	49,900,000	101,010,000	255,985,000	400,610,000
Refundable deposits + Investment	18,151,058	15,416,361	15,416,361	15,416,361
Assets held for Sale/Cash held in trust		-	-	-
Total Assets	102,346,541	166,681,997	347,371,426	508,921,565
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	3,000,520	6,451,858	9,799,611	10,869,314
Deferred revenue	11,548,744	18,452,047	28,812,693	33,370,318
Lease obligation + provision	164,795	193,933	193,933	193,933
Income Tax Payable	114,836	273,212	273,212	273,212
Current portion of the long-term debt	493,638	33,362,364	33,362,364	33,362,364
Due to related parties	1,016,825	1,002,447	1,002,447	1,002,447
Total Current Liabilities	16,339,358	59,735,861	73,444,260	79,071,588
Lease Obligation	324,009	584,579	584,579	584,579
Long-term Debt	28,344,426	25,462,933	132,342,933	230,942,933
Liabilities held for Sale				
Future Income Tax Liabilities	2,399,401	4,085,456	4,085,456	4,085,456
SHAREHOLDERS EQUITY				
Share capital	49,024,991	52,190,322	52,190,322	52,190,322
Contributed surplus	5,669,832	5,741,510	6,021,681	6,346,169
Accumulated Comprehensive loss	237,890	243,766	243,766	243,766
Non-controlling interests	30,875,531	47,280,963	91,433,696	129,798,593
Deficit	(30,868,897)	(28,643,393)	(12,975,267)	5,658,159
Total shareholders' equity (deficiency)	54,939,347	76,813,168	136,914,198	194,237,009
Total Liabilities and Shareholders Equity	102,346,541	166,681,997	347,371,426	508,921,565

CONSOLIDATED STATEMENTS OF CASH FLOWS				
(in C\$)				
	2016A	2017A	2018F	2019F
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit (Loss) for the year	9,215,414	8,122,442	33,100,859	37,278,323
Adjusted for items not involving cash:				
- amortization	1,386,170	2,044,159	1,732,110	1,746,034
- stock-based compensation	26,758	194,365	280,171	324,488
- loss on disposal of property, plant and equipment	(3,818,757)	(34,771)	-	-
-gain from changes in ownership investment interests	820,662	1,268,036	-	-
-development fees	(242,418)			
-gain on fair value changes in investment properties	(9,779,146)	(10,470,322)	(21,375,000)	(21,375,000)
-finance fees	550,664	766,267		
-future/current income tax provision/others	761,211	2,046,497		
Funds From Operations	(1,079,442)	3,936,673	13,738,140	17,973,846
Net changes in non-cash working capital items	441,927	7,060,989	568,959	1,878,984
NET CASH USED IN OPERATING ACTIVITIES	(637,515)	10,997,662	14,307,099	19,852,830
CASH FLOWS FROM INVESTING ACTIVITIES				
PP&E	(458,527)	(1,782,241)	(1,871,353)	(1,964,921)
Investment Properties	(925,265)	(35,148,261)		
Deposits on real estate properties	(6,725,000)	(500,000)		
Acquisitions	(1,956,845)	(8,297,361)	(133,600,000)	(123,250,000)
Disposal of business assets	2,887,352	(169,892)		
Promissory Note Receivables				
Restricted cash	79,563	(101,507)		
Funds held in escrow/Cash held in trust				
NET CASH USED IN INVESTING ACTIVITIES	(7,098,722)	(45,999,262)	(135,471,353)	(125,214,921)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash from equity and debt issuances	84,413	5,096,956		
Acquisition of the Company's shares into treasury, net	(351,474)	(661,512)	-	-
Advances (to) from related parties	(2,848,753)	(2,855,956)		
Lease obligation repayments	(219,526)	(137,259)		
Non controlling interest capital contribution	10,374,000	10,510,050	26,720,000	19,720,000
Non-controlling interest draws	-	-	-	-
Loan principal payments	(14,585,142)	(899,738)		
Long-term debt advances	19,914,554	29,476,661	106,880,000	98,600,000
Funds from loan advances	(1,897,308)	(2,478,747)		
Deferred finance fees	(706,786)	(521,927)	-	-
NET CASH FROM FINANCING ACTIVITIES	9,763,978	37,528,528	133,600,000	118,320,000
Foreign Exchange / Others	27,198	11,486		
INCREASE IN CASH FOR THE YEAR	2,054,939	2,538,414	12,435,746	12,957,909

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company’s capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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