

REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	---
Target Price (C\$)	\$1.85	---
Revenue F2020E (M)	\$10.2	---
Adj. EBITDA F2020E (M)	-\$3.8	---
Adj. EPS F2020 (M)	-\$0.08	---

MARKET DATA

Date:	Feb 18, 2020
Current Price (C\$):	\$0.42
Target Price (C\$):	\$1.85
52-Week Range:	\$0.32 / \$0.71
Shares O/S (M):	55.8
Mkt Cap (C\$M):	\$23.4
EV (C\$M):	\$31.2
Avg. Weekly Vol. (M):	0.03

Website: kuuhubb.com

FINANCIALS

	F2019A	F2020E	F2021E
Revenue (\$M)	\$12.4	\$10.2	\$25.2
EBITDA (\$M)	-\$1.3	-\$3.8	\$1.3
EPS (\$)	-\$0.27	-\$0.08	\$0.00
Cash (\$M)	\$0.7	\$1.6	\$1.2
Current Assets (\$M)	\$3.2	\$6.5	\$11.4
Net Cash (\$M)	-\$2.9	-\$6.5	-\$6.4
Total Assets (\$M)	\$4.6	\$7.6	\$12.4
Debt (\$M)	\$3.5	\$6.4	\$5.9
Total Liabilities (\$M)	\$0.2	\$0.2	\$0.2
Fiscal Year End:	30-Jun		

Source: Company Reports, S&P Capital IQ, Yahoo!Finance, eResearch Corp.

Chris Thompson, CFA, MBA, P.Eng.
Director of Equity Research

Kuuhubb Inc. (TSXV:KUU)

Digital Entertainment and Casual eSports Mobile Game Company
Targeting the Female Audience

COMPANY DESCRIPTION:

Kuuhubb Inc. (“Kuuhubb” or “the Company”) focuses on digital entertainment and casual eSports targeting the female demographic. The Company creates and acquires games and applications for female audiences with a focus on relaxation, expression, and entertainment. Kuuhubb’s main apps are Recolor, a digital colouring book application, and My Hospital, a simulation game application. Currently in soft launch are two Match-3 apps with story-based formats, Tiles & Tales and Dance Talent, and, in development, is a new casual eSports Match-3 Battle Royale game.

INVESTMENT HIGHLIGHTS:

- **Mobile App Gaming Market – Large and Growing Market**
 - According to Newzoo, 2.4B gamers spent \$152B on video games in 2019, a 10% Y/Y increase. Mobile games represent \$68.5B or 45% of the gaming market.
- **Strong and Growing Product Portfolio**
 - KUU currently has three gaming titles generating revenue and three in “soft launch”. Kuuhubb’s third-generation casual eSports Match-3 Battle Royale game is currently under development with revenue expected in early 2021.
 - Each game has the potential of generating \$1-5M per month in revenue.
 - **In January 2020, Recolor reached the Top 10 in Apple’s Top App Charts.**
- **Targeting Specific Demographic – Female Gamers**
 - Kuuhubb’s vision is to become a major player in the mobile games market for female gamers, as it believes this segment is currently underserved.
- **Experienced Management Team**
 - Kuuhubb has established a highly experienced team of 70 professionals in the fields of game development, user acquisition, creative content, business development, graphical art, production, customer service, and operations.

FINANCIAL ANALYSIS & VALUATION:

- We estimate Kuuhubb’s revenue as follows:
 - **F2020: Revenue \$10.2 million; EBITDA -\$3.8 million;**
 - **F2021: Revenue \$25.2 million; EBITDA \$1.3 million;**
 - **F2022: Revenue \$59.3 million; EBITDA \$13.0 million.**
- We estimate an equal-weighted price per share target of C\$1.85, blending a target price based on a DCF valuation (C\$2.95/share) and a Revenue Multiple valuation (C\$0.80/share).
- Currently trading at 1.7x C2020 EV/Revenue compared with the Large Cap gaming comps trading at 4.2x C2020 EV/Revenue and the Nordic gaming comps at 3.3x C2020 EV/Revenue.
- We are Initiating Coverage on Kuuhubb with a Buy rating and one-year price target of C\$1.85/share.

All figures in USD unless otherwise stated.

eResearch Corporation

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INVESTMENT THESIS – Why Invest in Kuuhubb

MOBILE APP GAMING MARKET – LARGE AND GROWING MARKET

According to Newzoo's 2019 Global Market Report, they forecasted that 2.4 billion gamers across the globe spent \$152.1 billion on games in 2019. This represents an increase of 10.3% from the year before, an increase of \$14.2 billion Y/Y. **Mobile games represent \$68.5 billion or 45% of the gaming market.**

Free-to-play titles drove the bulk of spending, accounting for 80% of total digital game spending in 2019. Meanwhile, the mobile market dominated the top 10 list, accounting for six of the spots. **In 2019, Candy Crush Saga, a top Match-3 game, earned \$1.5 billion in revenues.**

STRONG AND GROWING PRODUCT PORTFOLIO

Kuuhubb currently has eight gaming titles with three generating revenue (Recolor, Recolor by Numbers, and My Hospital), and three that have "soft" launched in selected markets (Dance Talent, Tiles & Tales, and Incolour) which should be generating commercial revenue by the end of year. Kuuhubb's third-generation casual eSports Match-3 Battle Royale game is currently under development and is expected to generate commercial revenue in F2022.

For 2020, Kuuhubb plans to focus development and marketing spending primarily on its main products: Recolor, Recolor by Numbers, Tiles & Tales, Dance Talent, and the new casual eSports Match-3 Battle Royale game.

Kuuhubb believes that with an increase in marketing spend on Recolor and Recolor by Numbers in 2020, revenue can return to the \$1-2 million per month level.

In January 2020, Recolor reached the Top 10 in Apple's Top App Charts in the United States and 14 other countries in the Entertainment category, below Disney+, Netflix, Amazon Prime Video, TikTok, Hulu, and YouTube Kids.

New soft product launches in Q1/2020 of Dance Talent and Tiles & Tales should lead to full product launch by end-of-year and \$2-5 million per month in revenue once released commercially.

TARGETING SPECIFIC DEMOGRAPHIC – FEMALE GAMERS

Kuuhubb's vision is to become a major player in the mobile games market for female gamers, as it believes there is an increasing female audience for mobile gaming applications that is currently underserved. From the Company's experience with the Recolor app, Kuuhubb has established a highly experienced game development team to develop new female targeted games and apps. **Approximately 50% of all employees at Kuuhubb are women, with the content creation team at almost 80% women.** The focus on female gamers helps advertisers develop advertisements geared towards this demographic and targets the users with specific products and services.

ORGANIC AND INORGANIC GROWTH STRATEGY

Kuuhubb's gaming and lifestyle app portfolio has grown to eight titles from two in just two years. The Company's growth strategy includes continuing to find existing mobile apps that will benefit from management's experience as well as developing new apps utilizing its existing technology and targeting the female audience.

EXPERIENCED MANAGEMENT TEAM

Kuuhubb has established a highly experienced team of 70 professionals in the fields of game development, user acquisition, creative content, business development, finance, graphical art, production, publishing, customer service, and operations. Kuuhubb's co-founder and CEO Jouni Keränen has over 18 years of international game and app industry experience, with particular in-depth knowledge of the online games industry and market in Asia, which is an area of focus for Kuuhubb in its business plans going forward.

LOW VALUATION COMPARED WITH ITS PEERS

Currently trading at 1.7x C2020 EV/Revenue compared with the Large Cap Gaming Comps trading at 4.2x C2020 EV/Revenue and the Nordic Gaming Comps at 3.3x C2020 EV/Revenue (see APPENDIX D: GAMING COMPARABLES).

COMPANY INFORMATION

Company Summary

Headquartered in Helsinki, Finland, but Canadian-listed with a corporate office in Toronto, Canada, Kuuhubb Inc. (TSXV:KUU) specializes in publishing and developing mobile video game and lifestyle applications (“apps”) for the female audience.

In 2014, Kuuhubb started as an online game consultancy company, but in 2016 pivoted to become active in the development and acquisition of lifestyle and mobile game apps (“mobile games”). The Company’s vision is to become a major player in the market of mobile games for women, as it believes there is an increasing female audience for mobile gaming applications that is currently underserved.

Kuuhubb’s vision is to become a top player in the women’s mobile gaming market.

Kuuhubb went public via a Reverse Take-Over (“RTO”) transaction in June 2017, raising C\$6.1 at C\$0.80/share. In August 2017, Kuuhubb acquired “Recolor”, a lifestyle colouring book app, which became its flagship product. In conjunction with the acquisition, Kuuhubb raised C\$17.3 million at C\$1.05/share.



After the acquisition, Kuuhubb’s management team started actively working with Recolor’s developers to transform the single-user colouring book experience into a creative community. The results were significant as Recolor’s monthly revenue grew from \$100,000/month to \$2 million/month by December 2017.

However, in 2018, there was a dispute with former Board Members and a few shareholders that limited business activities and reduced marketing spend which led to a decline in revenue. In 2019, a Proxy battle resulted in a new Board of Directors with a renewed focus on the core gaming business that should positively affect business operations in 2020.

Kuuhubb’s gaming and lifestyle app portfolio has grown to 8 titles from 2 in just 2 years.

During this time, Kuuhubb continued to acquire the rights of, and develop, mobile games. Kuuhubb currently has eight gaming titles – three have launched (Recolor, Recolor by Numbers, and My Hospital), three have “soft” launched in selected markets (Dance Talent, Tiles & Tales, and Incolour), one is under development, a casual eSports Match-3 Battle Royale game that is currently untitled, and one is paused (Neybers) before it is re-released.

For 2020, Kuuhubb plans to focus development and marketing spending primarily on its main products: Recolor, Recolor by Numbers, Tiles & Tales, Dance Talent, and the new casual eSports Match-3 Battle Royale game.

All of Kuuhubb's games are free to download and play but have limited features and/or functionalities, and some apps include advertising. The apps generate revenue from:

- (1) Monthly or yearly paid subscriptions: To unlock features and/or functionality, users are charged an initial one-time or recurring subscription fee to gain full access to the mobile game and free of ads;
- (2) In-app purchases: Users pay via in-app purchases to unlock and access premium content;
- (3) In-app advertising: Revenue generated from advertisements, either display or video ads;
- (4) Global brand partnerships: Customized versions of the apps where global brands can reach the apps' targeted user audience. In 2018, Kuuhubb signed marketing partnerships with major brands, including Ben & Jerry, Kellogg's, Lionsgate, and Mattel.

Kuuhubb distributes the apps through various third-party platforms including Apple's App Store and the Google Play Store. These publishers will generally charge approximately 30% of revenues from monthly subscriptions.

To increase sales and grow their user base, the gaming apps are marketed on social media networking sites such as Facebook. In addition to advertising, Kuuhubb will promote its apps through brand partnership, Social Media influencers, and cross-promotions with its other apps.

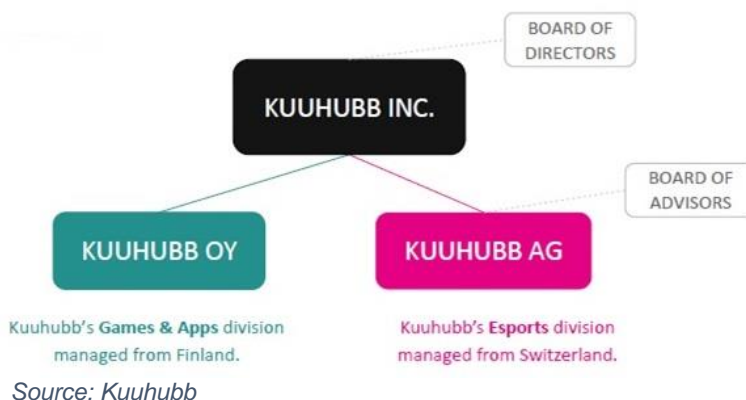
Corporate Timeline

- **2014:** Kuuhubb Oy, Finland incorporated as an online consulting and gaming company in 2014.
- **2016:** Kuuhubb pivoted its business and decided to acquire, develop, and distribute high-quality mobile gaming apps.
- **2017 (June):** Kuuhubb went public in Canada on the TSXV exchange (TSXV:KUU) in an RTO raising C\$6.1 million at C\$0.80/share.
- **2017 (August):** Kuuhubb acquired Sumoing Oy and its colouring app, "Recolor", a lifestyle application that became its flagship product, for €9 million and closed a C\$17.3 million financing.
- **2017:** Partnerships established in India and Japan to customize Recolor for those markets.
- **2017:** Acquired "Neybers", an interior design game.
- **2018:** Acquired the global publishing rights to the "My Hospital" and "Dance Talent" games that gave it publishing rights to a game called "Dancing Diaries".
- **2018:** Issued a €2 million Convertible Debenture.
- **2018:** Recolor signs marketing partnerships with major brands, including Ben & Jerry's, Kellogg's, Lionsgate, and Mattel.
- **2018-2019:** Dispute with former Board Members limits business activities and leads to Proxy battle resulting in new Board of Directors with a renewed focus on the core gaming business.
- **2019:** Kuuhubb announces the closing of approximately €1 million debt financing from Business Finland, the Finnish Funding Agency for Innovation.
- **2019:** Issued a €1.1 million Convertible Debenture.
- **2019:** Kuuhubb AG, Switzerland incorporated as an eSports development centre.
- **2019:** Acquired CODECACAO, an existing game developer partner.
- **2020:** Issued a €2 million Convertible Debenture.

Corporate Structure

Kuuhubb has headquarters in Helsinki, Finland, and a corporate office in Toronto, Canada, with a technology and development centre in Zagreb, Croatia, an eSports development centre in Switzerland, and brand partnership representatives in Los Angeles, CA and New York, NY, U.S.A. Kuuhubb operates two subsidiaries: Kuuhubb OY, focusing on Kuuhubb’s games and lifestyle apps, and Kuuhubb AG, focusing on Kuuhubb’s casual eSports game development.

Figure 1: Kuuhubb Corporate Structure



Business Strategy

Kuuhubb markets and develops mobile gaming and lifestyle apps for Android and iOS Smartphone and tablet devices. Kuuhubb’s portfolio of apps focuses on providing entertainment and targets the female audience. Kuuhubb believes the female gamer market is underserved.

All of Kuuhubb’s apps are free to play and follow the “Freemium” business model. Revenue is generated from user subscriptions, advertising, and in-app purchases of virtual goods. Users can subscribe to the app on an annual, monthly, or weekly basis. Subscriptions unlock premium content, functionality and features. Kuuhubb generates advertising revenue by collaborating with advertising consumer brands, media, and entertainment applications.

Kuuhubb has a competitive advantage since it owns various proprietary software programs. One of the most notable platforms is its Match-3 platform, which is used in the Tiles & Tales app. This proprietary software will let players access and make characters work with the various puzzle levels. **Once in commercial release, Kuuhubb believes Tiles & Tales could generate \$3-5 million per month in revenue.**

Kuuhubb plans to leverage its Match-3 platform as it builds a Match-3 Battle Royale, casual eSports game. The game is currently under development and a soft launch of the app is expected in early 2021. The Match-3 game is one of the most popular game formats with the most popular game, Candy Crush Saga, generating \$1.5 billion in revenue in 2019. The Battle Royale game is a multiplayer elimination game, in which players compete until there is only one player left. **Once in commercial release, Kuuhubb believes the Match-3 Battle Royale gaming app could generate \$5-10 million per month in revenue.**

Strategic Partnerships

Currently the Company’s main revenue source is the Recolor app, which generates extra revenue with sponsorships from Hasbro and Lionsgate, linking to specific toys and movies. In 2018, Kuuhubb had branding collaborations with Ben & Jerry’s, Fazer, Kellogg’s, and Mattel.



Gaming Products

Currently, Kuuhubb’s primary revenue-generating products and services consist of the Recolor, Recolor by Numbers and My Hospital mobile apps, which are available in Apple iOS and Android Play stores.

In addition to Kuuhubb’s current portfolio of products described above, the Company is in the process of developing additional products and actively engaged in seeking to acquire additional products and development teams.

Kuuhubb groups its products into three “generations”:

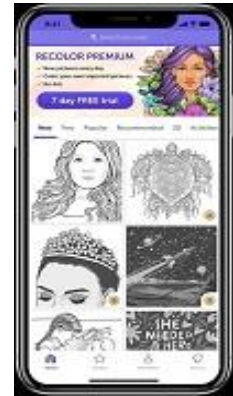
- 1) **First Generation: Recolor, Recolor by Numbers, Incolour, and My Hospital**
 - According to the Company, Recolor and My Hospital have generated revenues greater than \$33 million and Kuuhubb continues to work on improving the games.
 - Kuuhubb released Recolor by Numbers during 2019, a paint-by-numbers version of Recolor, to expand its demographic to a younger audience and increase sales.
- 2) **Second Generation: Match-3 Games – Dance Talent and Tiles & Tales**
 - To diversify its portfolio of games, Kuuhubb has two Match-3 games under development.
 - Match-3 puzzle, or “tile matching” game, is a type of video game where the player manipulates tiles in order to make them disappear according to a matching criterion. Completing a level typically leads to a level that is progressively more difficult.
 - According to a GameRefinery report, in 2019, Match-3 titles captured 20% of the mobile gaming market, which was estimated to be \$68.5 billion, and 78% of the segment’s players were women.
 - Both of Kuuhubb’s Match-3 games take the basic tile-matching concept and add a story-based progression creating, what is called in the industry, a “meta game”. With characters and stories, meta games increase the player interactions, resulting in prolonged engagements.
 - Tiles & Tales, Kuuhubb’s second Match-3 title, was created using an in-house developed Match-3 engine and will enable the Company to significantly decrease the resources and time required to bring new titles to market.
- 3) **Third Generation: Casual Match-3 Mobile casual eSports & Battle Royale**
 - The new casual Match-3 mobile casual eSports & Battle Royale app will combine Match-3 and a multi-player survival game mode. Up to 100 players can compete against each other until there is one winner. The game environment is a shopping mall and will target the female player that comprises nearly one-third of the eSports players.

Kuuhubb has eight products that are in full release in the market, soft release, or under development.

Gaming App	App Type	Current Satus	Generation
1. Recolor	Colouring App	Live	1 st Generation App
2. Recolor by Numbers	Colouring App	Live	1 st Generation App
3. Dance Talent	Match-3 genre with narrative meta game	Soft launch Feb. 2019	2 nd Generation App
4. Tiles & Tales	Match-3 genre with narrative meta game	Q1/2020 - Soft launch	2 nd Generation App
5. Match-3 Battle Royale	Match-3 Battle Royale, casual eSports	In development Q1/2021 - Soft Launch	3 rd Generation App
6. My Hospital	Lifestyle App	Live	1 st Generation App
7. Incolour	Colouring App	Soft launch	1 st Generation App
8. Neybers 2.0	Lifestyle App	To be determined	1 st Generation App

1. Recolor | Coloring Book

- **Year Released:** 2015
- **App Type:** Colouring App
- **App Description:** Adult digital colouring book app with more than 4,000 unique colouring pictures. Features allow the user to import their own photos and drawings, colour them, and share with their friends.
- **Revenue Model:** Free version with free colouring images every day. Monthly/yearly subscription options to unlock more colouring images; also, in-app purchases.
- **eResearch Revenue Estimate:** \$0.5-2 million per month



In January 2020, Recolor reached the Top 10 in Apple's Top App Charts in the United States and 14 other countries in the Entertainment category, below Disney+, Netflix, Amazon Prime Video, TikTok, Hulu, and YouTube Kids.

2. Recolor by Numbers | Coloring Book

- **Year Released:** November 2019
- **App Type:** Colouring App
- **App Description:** An offshoot of the Recolor app but the colouring images have numbers, similar to a paint-by-numbers colouring set, to help the user with colour selection.
- **Revenue Model:** Free version with free colouring images every day. Monthly/yearly subscription options to unlock more colouring images; also, in-app purchases.
- **eResearch Revenue Estimate:** \$0.5-2 million per month



3. Dance Talent

- **Year Released:** Soft launch February 2019
- **App Type:** Match-3 genre with narrative meta game
- **App Description:** Players take the role as a manager of a dance enthusiast, whom they lead through a dance career, from learning individual dance steps to entire dance routines, and eventually performing in dancing competitions around the world.
- **Revenue Model:** Free version with monthly/yearly subscription options to unlock more features; also, in-app purchases of dancing wardrobes and dancefloors.
- **eResearch Revenue Estimate:** Less than \$1 million per month



4. Tiles & Tales

- **Year Released:** Q1/2020 – Soft launch
- **App Type:** Match-3 genre with narrative meta game
- **App Description:** The app is a combination of two game genres, Match-3 and novel-like stories. Tiles & Tales was partially funded with a non-dilutive, Finnish government loan of approximately €1 million and developed using an in-house Match-3 engine.
- **Revenue Model:** Free version with monthly/yearly subscription options to unlock more features; also, in-app purchases.
- **eResearch Revenue Estimate:** \$1-3 million per month



5. Match-3 Battle Royale Casual eSports (Name to-be-determined)

- **Planned Release:** Early 2021 – Soft launch
- **App Type:** Match-3 Battle Royale Casual eSports Genre
- **App Description:** The app will combine Match-3 and a multi-player survival game mode. Up to 100 players can compete against each other until there is one winner. Game environment is a shopping mall.
- **Revenue Model:** Free version with in-app purchases to enhance the game performance, tournament tickets, and sponsorship and brand partnerships.
- **eResearch Revenue Estimate:** \$5-10 million per month

Figure 2: Kuuhubb's Match-3 Battle Royale Casual eSports App



Source: Kuuhubb Corporate Presentation (2019)

6. My Hospital

- **Year Released:** November 2019
- **App Type:** Simulation Game
- **App Description:** My Hospital is a simulation game app. The game player manages and designs a medical unit to run the hospital and cure diseases.
- **Revenue Model:** Free version with in-app purchases.
- **eResearch Revenue Estimate:** \$0.5-2 million per year

Figure 3: Kuuhubb's My Hospital Lifestyle App



Source: Kuuhubb's App Store (2019)



7. Incolour | Coloring Book

- **Soft Launch:** Q2/2019
- **App Type:** Colouring App
- **App Description:** An offshoot of the Recolor app but the colouring images have been customized for the market in India.
- **Revenue Model:** Free version with free colouring images every day. Monthly/yearly subscription options to unlock more colouring images; also, in-app purchases.
- **eResearch Revenue Estimate:** Less than \$1 million per year

8. Neybers 2.0

- **Soft Re-launch:** To be determined
- **App Type:** Interior Design Game
- **App Description:** The app is an interior design game that allows the user to decorate rooms with stylish and modern products from real brands and designers.
- **Revenue Model:** To be determined
- **eResearch Revenue Estimate:** To be determined; would compete against Glu Mobile's Design Home.



GAMING INDUSTRY OVERVIEW

The internet’s growth into a worldwide network with the adoption of personal computers and mobile technologies fuelled video and mobile app gaming’s exponential growth in recent years. The mobile gaming industry is increasing at a rate paralleled with the increase in smart cellular phones.

Broadly grouped, the Global Gaming market can be broken down into three categories:

- (1) **Mobile Gaming Apps** for Android (Google) and iOS (Apple) for Smartphones and Tablets;
- (2) **Personal Computer (PC) games and Online Gaming Platforms** (Google Stadia, Nvidia GeForce Now, PlayStation Now, Steam); and
- (3) **Console Games** such as Microsoft Xbox, Nintendo consoles (Wii, DS, Switch, etc.), and Sony PlayStation.

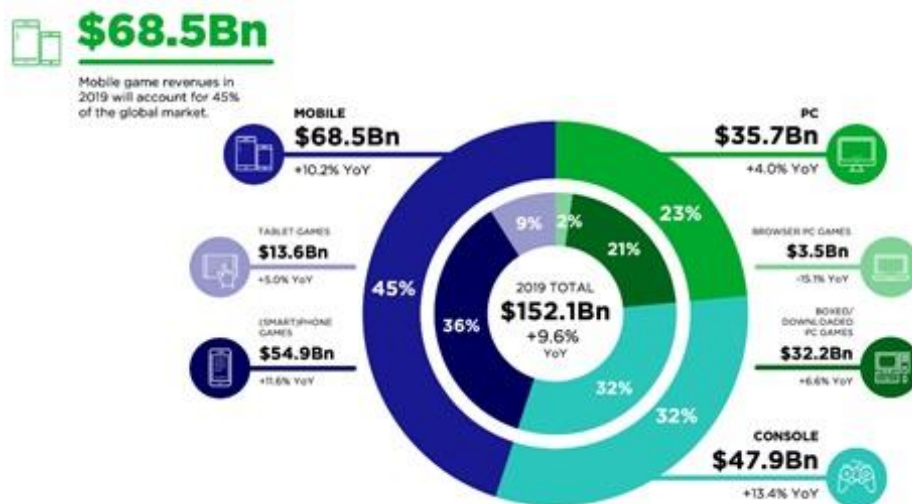
Broadly grouped, the Global Gaming market can be broken down into three categories:
 (1) Mobile Gaming Apps; (2) PC games and Online Gaming Platforms; and (3) Console Games

Global Gaming Market Continues Decade of Double-Digit Growth

According to Newzoo’s 2019 Global Market Report, they forecasted that 2.4 billion gamers across the globe spent \$152.1 billion on games in 2019. This represents an increase of +10.3% from the year before or an increase of \$14.2 billion. Mobile games represent \$68.5 billion or 45% of the gaming market (see Figure 4).

Considering that Global Gaming market revenues were \$70.6 billion in 2012, this puts the 10-year CAGR estimate for the market (2012-2022) at over 10%. Maintaining a double-digit growth rate in an industry for 10 years shows the continued growth power in the Global Gaming industry.

Figure 4: 2019 Global Games Market



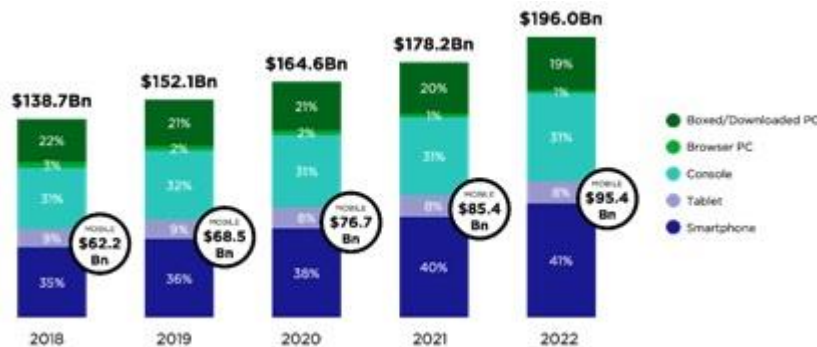
Source: Newzoo (2019)

With the increasing number of smartphone users globally (from 2.5 billion in 2016 to 3.8 billion by 2021), Newzoo estimates that the Mobile Gaming segment will continue to be the largest segment following years of double-digit growth since the first iPhone was launched in 2007.

As demand for Mobile Gaming continues to grow, it is estimated that Mobile Gaming revenues will account for almost half of all gaming revenues through 2022. Smartphone games could account for 80% of the Mobile Gaming

revenue, or \$54.9 billion in 2019, with the remaining 20% coming from tablet games. Console Gaming is the second-largest segment generating \$47.9 billion in 2019, while PC Games will bring in \$35.7 billion.

Figure 5: 2018-2022 Global Games Market



Source: Newzoo (2019)

Newzoo estimates that the Mobile Gaming Market will reach \$95.4 billion by 2022, a CAGR of almost 12%, and accounts for almost half of the entire games market. This will be predominantly driven by smartphones, with revenues of \$80.4 billion by 2022 (see Figure 5). Remarkably, the increase in Mobile Gaming has not meaningfully cannibalized revenues from the Console or PC Gaming segments.

Continued growth in the Mobile Gaming Market could be enhanced by a range of other factors including more cross-platform titles, an increase in smartphone users, and improvements to both mobile hardware and mobile Internet infrastructure, including the rollout of 5G networks.

In the span of a decade, Mobile Gaming is on track to grow from the smallest segment in 2012 to a \$100 billion industry by 2022

Demographics

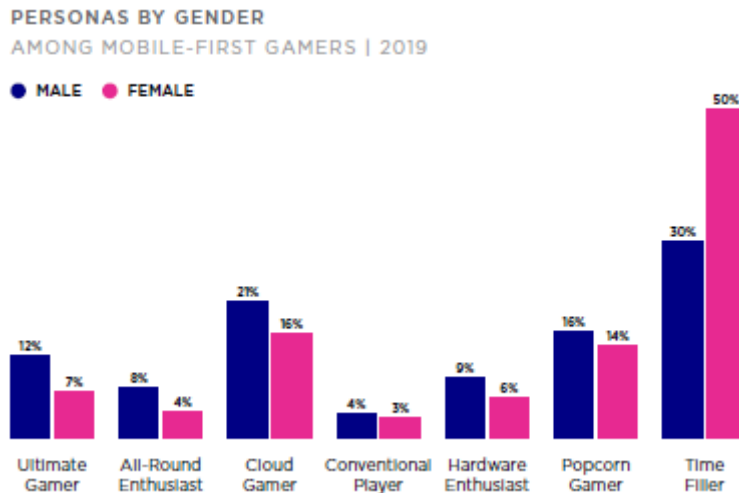
The Global Gaming industry has reinvented itself to maximize consumer engagement and revenue growth across multiple demographic segments on a global scale. New video games encourage active participation from the user and allow them to enjoy their passion for gaming in ways that suit any interest, lifestyle, location, and budget.

According to a 2019 Entertainment Software Association survey, 65% of Americans play video games, the most common device for video game play is a Smartphone, and 46% of gamers are female. This study confirms the dominant misperception that most gamers are men; the ratio of female to male gamers is rather balanced, almost reflecting the U.S. population at large (50.8% female; 49.2% male).

According to an ESA survey, 65% of Americans play video games and 46% of gamers are female.

According to the Newzoo report, for both women and men, the “Time Filler” persona has the largest share of mobile-first gamers: 50% for women and 30% for men. Time Fillers are consumers who play games to pass the time while waiting or commuting, for example, by playing a game of Candy Crush or Clash of Clans while commuting. The Time Filler rarely spends more than a few hours gaming each week and does not see gaming as a major part of their lives (see Figure 6).

Figure 6: Gamer Segmentation



Source: Newzoo (2019)

Making Money from Freemium Mobile Games

A common business model in the software and gaming industry is the “Freemium” or “Free to Play” revenue model. This product category evolved from the “freemium economy” where consumers expect to get the services they want, on the internet or web, for free.

Freemium is a pricing strategy by which mobile applications and services are provided free of charge and games generate revenue when users pay to unlock premium app features, functionality and content, or to pay for virtual goods. Additional revenue can be generated through partnerships with various entertainment, media and consumer brands by in-game advertising.

As global spending on games hit new highs in 2019, Freemium attracted the bulk of spending, accounting for 80% of total digital game spending in 2019. Meanwhile, the mobile market dominated the top 10 list, accounting for six of the spots. **In 2019, Candy Crush Saga, a top mobile Freemium game in the Match-3 category, earned \$1.5 billion in revenues.**

What are gamers spending their money on in Freemium games? Virtual goods.

The traditional approach for revenue generation relied on advertising or unlocking features and functions in the game, but now, in-app purchases of virtual goods are becoming a major source of revenue for the gaming industry.

Virtual goods can include items such as digital stickers, clothing for avatars of the games, extra lives, or advanced weapons. **According to Licensing International, since 2010, the sale of virtual goods has exploded alongside the exponential growth of gaming and the result is a multi-billion-dollar marketplace.**

Candy Crush Saga, with over 90 million players, continues to be the No. 1 top-grossing mobile game in the world, due to in-app purchases of its virtual goods. **In 2019, Candy Crush gamers spent over \$1 billion on virtual goods that included extra moves, colour bombs, and lollipop hammers.**

Competitors

Kuuhubb faces competition from a wide range of companies that provide game software and platforms. With a low barrier to entry and a multi-billion-dollar industry, new mobile video games are expected to compete with Kuuhubb’s offerings.

Besides Mobile Gaming Apps for Android (Google) and iOS (Apple) for Smartphones and Tablets, competition also comes from PC video games and new Online Gaming Platforms such as Google Stadia, Nvidia GeForce Now, PlayStation Now, and Steam. Finally, this is competition from Console Games that operate on platforms such as Microsoft Xbox, Nintendo consoles (Wii, DS, Switch, etc.), and Sony PlayStation.

Kuuhubb has many competitors in the gaming market. Nordic gaming firms include:

- Bublax Group: NGM:BUBL; www.bublax.com
- G5 Entertainment AB: OM:G5EN; www.g5e.com
- Gaming Corps AB: OM:GCOR; www.gamingcorps.com
- Next Games Oyj: HLSE:NXTGMS; www.nextgames.com
- Rovio Entertainment Oy: HLSE:ROVIO; www.rovio.com
- Three Gates AB: NGM:GATE; www.threegates.se

Larger and more international gaming firms include:

- Electronic Arts: NASDAQ:EA; www.ea.com
- Tencent Holdings: SEHK:700; www.tencent.com
- Zynga Inc.: NASDAQ:ZNGA; www.zynga.com

For additional competitors, see the Comp Table in APPENDIX D: GAMING COMPARABLES. Of concern is the large companies, such as EA, Google, or Microsoft, who have large cash balances and could enter the sector with marketing dollars to dominate a category. However, Kuuhubb has a competitive advantage since the Company is making better games for women.

Figure 7: Competitors in the Colouring App Segment

App Name	Google Play Store Total Downloads	In-app Purchase Price	Downloads (Dec. 2019)	Revenue Est. (Dec. 2019)
Recolor	5M+	\$1.99-\$150.45 per item	320,000	\$440,000
Colorfy	10M+	\$1.19-\$129.99 per item	600,000	\$1,030,000
Unicorn	10M+	\$0.99 - \$9.99 per item	1,100,000	\$430,000
Pigment	1M+	\$1.29 – \$76.99 per item	205,000	\$306,000
Color Therapy	Not available	\$2.79 per item	100,000	\$100,000
Coloring Numbers	Not available	\$1.99 per item	30,000	\$50,000
Happy Color	50M+	\$2.79 – \$10.99 per item	5,000,000	\$20,000

Source: Google Play Store, Apple App Store, SensorTower

Figure 8: Competitors in the Match-3 Segment

App Name	Google Play Store Total Downloads	Downloads (Dec. 2019)	Revenue Est. (Dec. 2019)
Candy Crush*	500M+	19,600,000	45,000,000
Farm Heroes Saga**	100M+	1,110,000	3,307,000
Pet Rescue Saga***	100M+	680,000	1,070,000
Cookie Jam	50M+	250,000	1,400,000
Frozen Free Fall	50M+	1,200,000	700,000

* Includes Candy Crush Friends, Candy Crush Jelly, Candy Crush Saga, Candy Crush Soda

** Includes Farm Heroes Challenge, Farm Heroes Saga, Farm Heroes Super

*** Includes Pet Rescue Puzzle, Pet Rescue Saga

Source: Google Play Store, Apple App Store, SensorTower

REVIEW OF KUUHUBB'S FINANCIALS

Kuuhubb's revenue comes from freemium in-app purchases, in-app advertising, paid subscriptions, and global brand partnerships. Kuuhubb had grown revenues from \$100,000 per month to almost \$2 million per month in 2018, before a Board dispute affected sales & marketing efforts and halted the revenue growth momentum. Subsequently, in 2019, revenue for the Company settled into a \$0.5-1 million per month level; however, with the newly reconstituted Board of Directors and a stable of new product releases, we expect revenue to grow back to the \$2 million per month range by the end of calendar 2020.

Financial highlights for FQ1/2020, quarter ended September 30, 2019:

- Kuuhubb generated net loss of \$1,274,139 compared to last year's quarterly loss of \$2,291,147 due to lower spend on sales & marketing of the Recolor app;
- Revenue for the quarter declined by 44% Y/Y with the decline attributed to lower marketing spend on the Recolor app due to financial constraints and the focus on the development of other apps;
- Revenue is generated from the sale of the Recolor app and from in-app purchases of virtual goods;
- Kuuhubb spent 30% of its revenue on platform fees paid to the app stores.

Revenue Model

According to the Company, Recolor and My Hospital have generated revenues greater than \$33 million. In F2020, we believe the bulk of revenue is expected to come from Recolor, Recolor by Numbers, and My Hospital. In F2021, we expect Dance Talent to be generating less than \$1 million per month and Tiles & Tales to be generating \$2-5 million per month. By F2022, we expect the Match-3 Battle Royale casual eSports app to be generating \$4-5 million per month.

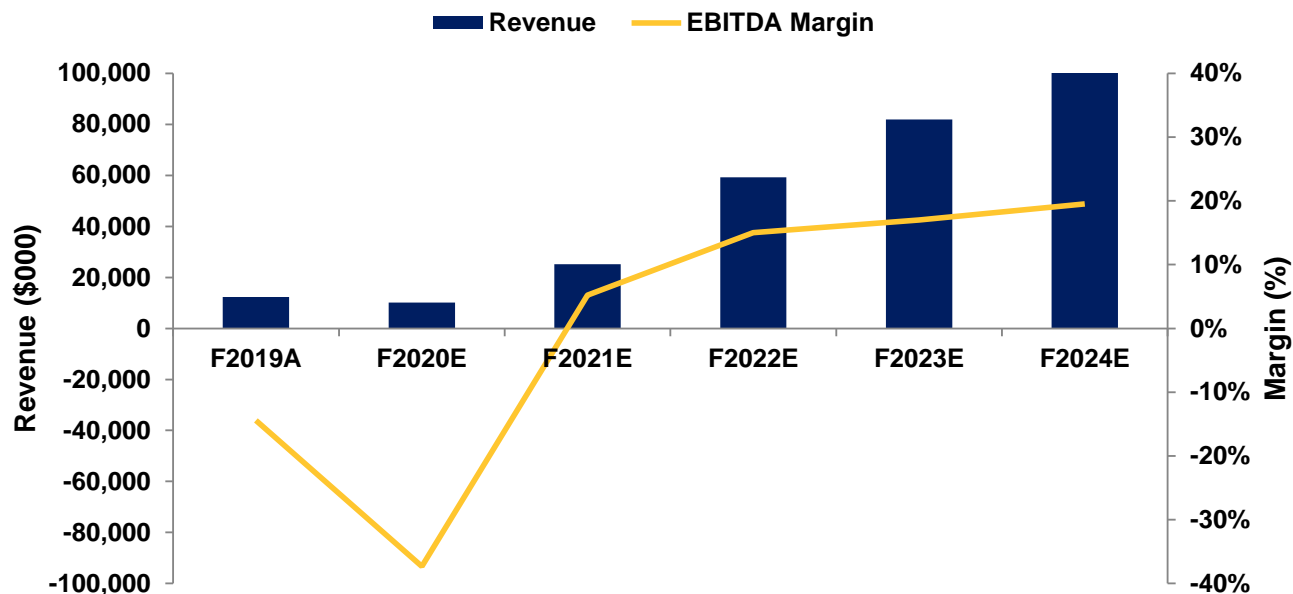
	eResearch Revenue Estimate	Time Period
Recolor	\$0.5-2 million per month	Ongoing
Recolor by Numbers	\$0.5-2 million per month	Ongoing
My Hospital	\$0.5-2 million per year	Ongoing
Dance Talent	Less than \$1 million per month	F2021
Tiles & Tales	\$1-3 million per month	F2021
Match-3 Battle Royale Casual eSports	\$4-5 million per month	F2022

We modelled Kuuhubb's total revenue as the sum of the revenue from the various apps based on monthly revenue and when the app is scheduled to be commercially available.

With these revenue assumptions, we estimated that revenue and EBITDA would be:

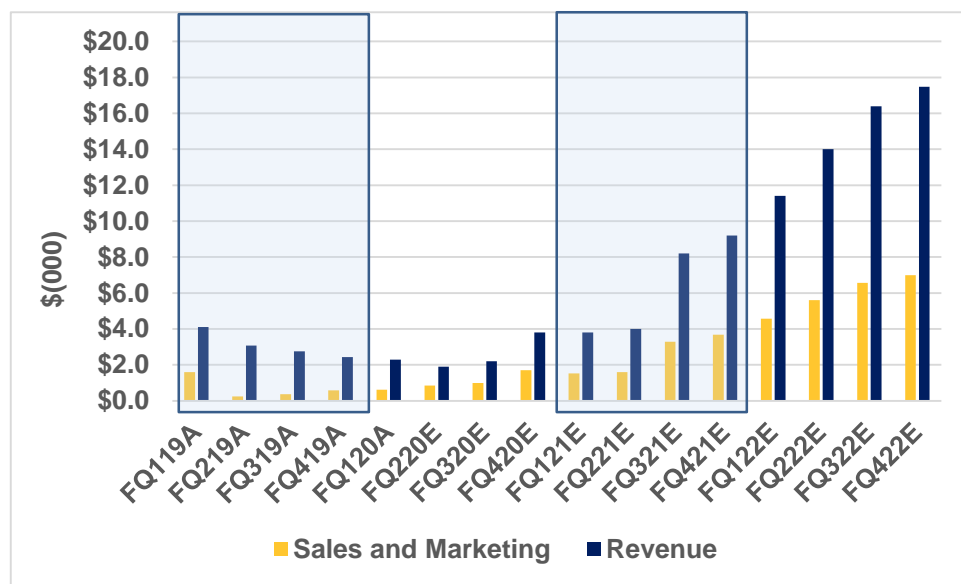
- F2020: Revenue \$10.2 million; EBITDA -\$3.8 million;
- F2021: Revenue \$25.2 million; EBITDA \$1.3 million;
- F2022: Revenue \$59.3 million; EBITDA \$13.0 million.

Figure 9: Revenue and EBITDA Margins



Source: Company Reports and eResearch Corp.

Figure 10: Sales & Marketing Correlation to Revenue



Source: Company Reports and eResearch Corp.

VALUATION

Kuuhubb is trading at a significant discount to its peers when compared with Global Gaming and Nordic Gaming companies, and at a modest discount compared to the Canadian Gaming Comps, albeit a smaller group of comparables (see APPENDIX D: GAMING COMPARABLES).

- Kuuhubb is trading at 1.7x C2020 EV/Revenue
- Global Gaming companies are trading at 4.2x C2020 EV/Sales
- Nordic Gaming companies are trading at 3.3x C2020 EV/Sales
- Canadian Gaming companies are trading at 2.2x C2020 EV/Sales

Using a common valuation metric in the gaming/software industry – Enterprise Value to Monthly Active Users (EV/MAU) – comparable mobile gaming companies are trading in the EV/MAU range of \$2-449/MAU with a Mean/Median of \$138 and \$88, respectively. Kuuhubb is only trading at an EV/MAU of \$5 (see Figure 11). Using the EV/MAU metrics would value Kuuhubb's stock price in the C\$6-10 range.

Figure 11: Mobile Game EV/MAU Comps

	Activision Blizzard	Tencent	Zynga	G5	MAG	Rovio	Stillfront	Kuuhubb
Market Cap (US\$) (M)	\$48,800	\$509,319	\$6,555	\$93	\$34	\$344	\$1,399	\$18
Enterprise Value (US\$) (M)	\$45,956	\$516,823	\$5,906	\$77	\$15	\$220	\$1,472	\$24
Monthly Active Users (MAU)	345	1,150	67	6	6	49	5	5
EV/MAU (US\$/MAU)	\$133	\$449	\$88	\$12	\$2	\$4	\$276	\$5
Mean	\$138							
Median	\$88							

Source: Company Reports

Target Price Calculation

Method 1: Discounted Cash Flow (see Figure 13)

Using a Weighted Average Cost of Capital (WACC) of 12% and a Terminal Multiple of 10x EBITDA in F2024, the one-year target share price estimate is C\$2.95.

Method 2: Revenue Multiple

Using a revenue multiple of 3x and a one-year forward Revenue estimate of \$13.8M, the one-year target share price is C\$0.80.

The equal-weighted price per share is C\$1.88 and we are setting the one-year price target at C\$1.85.

We are Initiating Coverage on Kuuhubb Inc. with a (blended) one-year price target of C\$1.85.

Figure 12: Target Price (1 Year) Calculation for Kuuhubb

			TARGET
Method 1: DCF	WACC:12%	Terminal Multiple:10x EBITDA	C\$2.95
Method 2: Revenue Multiple	3.0x	1 Year Fwd Revenue (Est.): \$13.8M	C\$0.80
Equal-Weighted Target Price (1-year)			C\$1.88

Source: eResearch Corp.

Figure 13: DCF Analysis

Kuuhubb Inc. FYE(June)						
DCF Analysis (US\$)	F2019E	F2020E	F2021E	F2022E	F2023E	F2024E
Revenue (\$)	12.4	10.2	25.2	59.3	81.9	102.4
Revenue Growth	-40.6%	-17.6%	147.4%	135.2%	38.1%	25.0%
EBITDA (\$)	(1.8)	(3.8)	1.3	8.9	13.9	20.0
EBITDA Growth	-294.2%	-113.1%	134.7%	574.4%	56.6%	43.7%
EBITDA Margin	-14.4%	-37.3%	5.2%	15.0%	17.0%	19.5%
Depreciation and Amortization	12.9	0.3	0.1	0.0	0.0	0.0
EBIT (\$)	(14.6)	(4.1)	1.3	8.8	13.9	20.0
NOPAT	(8.0)	(4.4)	0.3	6.0	9.9	14.7
Plus Amortization (\$)	12.9	0.3	0.1	0.0	0.0	0.0
Less Capital Expenditures (\$)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Capital Intensity	0.3%	0.2%	0.1%	0.1%	0.0%	0.0%
Net Working Capital Changes	(0.1)	1.5	(0.9)	(1.1)	1.0	(0.1)
EPS (Continuing)	(0.27)	(0.08)	0.00	0.10	0.17	0.26
Unlevered Free Cash Flow (\$)	4.7	(2.7)	(0.6)	5.0	10.8	14.6
PV of Unlevered FCFs (\$)	5.1	(2.6)	(0.5)	3.8	7.4	8.9

Valuation Assumptions:

Discount Rate	12.0%
Terminal Multiple	10.0x

Valuation Analysis:

	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	17.0	21.9	25.2
Terminal Value (\$M)	200.0	200.0	200.0
PV of Terminal Value (\$M)	121.9	136.5	152.9
Net (debt) cash position	(5.9)	(7.2)	(5.6)
Total Value (\$M)	133.0	151.3	172.5
DCF Value/Share (US\$)	US\$1.96	US\$2.23	US\$2.54
DCF Value/Share (C\$)	C\$2.59	C\$2.95	C\$3.37
FD Shares O/S (M)	67.8	67.8	67.8

Source: Company Reports, eResearch

APPENDIX A: KUUHUBB'S FINANCIAL STATEMENTS

Figure 14: KuuHubb Income Statement

KuuHubb Inc. Income Statement (FYE June, US\$)	F2018A	F2019A	FQ120A	FQ220E	FQ320E	FQ420E	F2020E	F2021E	F2022E
Total Revenue	20,795,398	12,362,053	2,285,184	1,900,000	2,200,000	3,800,000	10,185,184	25,200,000	59,280,000
Total Cost of Sales	7,736,074	5,362,436	993,332	589,000	682,000	1,178,000	3,442,332	6,300,000	17,784,000
Sales and Marketing	11,465,412	2,788,847	615,184	855,000	990,000	1,710,000	4,170,184	10,080,000	23,712,000
General and Administrative	3,665,951	5,559,578	1,418,574	1,520,000	1,650,000	1,786,000	6,374,574	7,502,000	8,895,200
Research and Development	-	-	-	-	-	-	-	-	-
Stock Based Compensation	2,395,683	1,229,317	360,372	70,300	81,400	140,600	652,672	932,400	2,193,360
Depreciation of Property & Equipment	8,423,926	6,099,783	209,552	11,754	10,392	9,493	241,191	31,291	23,987
Total Operating Expenses	26,961,033	15,677,525	2,603,682	2,462,981	2,737,720	3,652,020	11,456,403	18,569,400	34,848,256
Operating Income	(13,901,709)	(8,677,908)	(1,311,830)	(1,151,981)	(1,219,720)	(1,030,020)	(4,713,551)	330,600	6,647,744
Total Other Income	(2,358,534)	(7,869,759)	37,691	(59,128)	(84,963)	(83,202)	(189,601)	(315,978)	(290,808)
EBT	(16,260,243)	(16,547,667)	(1,274,139)	(1,211,109)	(1,304,683)	(1,113,222)	(4,903,152)	14,622	6,356,936
Income Taxes	(271,968)	1,394,884	-	121,111	130,468	111,322	362,901	(1,462)	(635,694)
Net Income (Loss)	(16,532,211)	(15,152,783)	(1,274,139)	(1,089,998)	(1,174,214)	(1,001,900)	(4,540,251)	13,160	5,721,243
EPS									
Basic EPS	(0.34)	(0.27)	(0.02)	(0.02)	(0.02)	(0.02)	(0.08)	0.00	0.10
Diluted EPS	(0.34)	(0.27)	(0.02)	(0.02)	(0.02)	(0.02)	(0.08)	0.00	0.10
Shares Outstanding									
Shares Outstanding, Basic	49,339,972	55,581,427	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709
Shares Outstanding, Diluted	49,339,972	55,581,427	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709

Source: Company Reports and eResearch Corp.

Figure 15: Kuuhubb Balance Sheet

Kuuhubb Inc. Balance Sheet (As at Jun 30, US\$)	F2018A	F2019A	FQ120A	FQ220E	FQ320E	FQ420E	F2020E	F2021E	F2022E
Current Assets									
Cash	673,993	697,836	367,585	3,789,143	2,662,986	1,610,888	1,610,888	1,180,244	7,528,298
Restricted Cash & Short-Term Investments	0	0	0	0	0	0	0	0	0
Trade & Other Receivables	2,344,358	1,937,263	1,366,079	1,310,883	1,517,864	2,621,766	2,621,766	6,347,433	12,060,123
Investment Tax Credits Receivable	122,778	207,164	0	70,680	81,840	141,360	141,360	276,000	629,280
Prepaid Expenses & Other Assets	1,159,847	381,068	1,385,924	1,428,539	1,587,846	2,132,503	2,132,503	3,590,016	6,023,033
Total Current Assets	4,300,976	3,223,331	3,119,588	6,599,245	5,850,536	6,506,517	6,506,517	11,393,694	26,240,735
Non-Current Assets									
Property and Equipment	138,368	126,362	108,713	99,134	90,724	83,045	83,045	63,819	49,113
Intangible Assets	7,912,620	824,596	592,730	592,730	592,730	592,730	592,730	592,730	592,730
Goodwill	5,924,672	0	0	0	0	0	0	0	0
Other	0	384,933	380,400	380,400	380,400	380,400	380,400	380,400	380,400
Total Assets	18,276,636	4,559,222	4,201,431	7,671,508	6,914,390	7,562,692	7,562,692	12,430,643	27,262,978
Current Liabilities									
Trade & Other Payables	2,694,557	1,781,452	1,462,345	4,190,492	4,657,806	6,255,508	6,255,508	10,530,995	17,668,036
Deferred Revenue	654,326	453,571	364,099	58,900	68,200	117,800	117,800	285,200	541,880
Due to Related Parties	520,356	90,145	90,145	82,933	76,299	70,195	70,195	50,287	36,025
Short-Term Debt	685,947	1,913,619	1,808,496	1,998,852	2,336,096	2,628,873	2,628,873	3,441,764	3,841,810
Taxes Payable	271,968	273,651	268,765	268,765	268,765	268,765	268,765	268,765	268,765
Total Current Liabilities	4,926,136	4,602,009	4,073,530	6,679,623	7,486,846	9,420,821	9,420,821	14,656,691	22,436,196
Non-Current Liabilities									
Term Loan	2,443,809	1,618,619	2,831,580	4,715,262	4,243,736	3,819,362	3,819,362	2,505,884	1,644,110
Provision/Loan Payable/Benefits Payable	1,035,630	719,067	521,437	521,437	521,437	521,437	521,437	521,437	521,437
Total Liabilities	8,490,825	8,721,668	9,205,004	13,694,779	14,030,476	15,540,077	15,540,077	19,462,469	26,380,201
Shareholders Equity									
Capital Stock	28,349,476	28,418,521	28,418,521	28,418,521	28,418,521	28,418,521	28,418,521	28,418,521	28,418,521
Warrants & Options	0	0	0	0	0	0	0	0	0
Contributed Surplus	3,482,901	4,712,218	5,072,590	5,142,890	5,224,290	5,364,890	5,364,890	6,297,290	8,490,650
Deficit	(17,405,764)	(32,558,547)	(33,832,686)	(34,922,684)	(36,096,898)	(37,098,798)	(37,098,798)	(37,085,638)	(31,364,395)
Total Shareholders Equity	9,785,811	-4,162,446	-5,003,573	-6,023,271	-7,116,085	-7,977,385	-7,977,385	-7,031,825	882,778
Total Liabilities & Shareholders Equity	18,276,636	4,559,222	4,201,431	7,671,508	6,914,390	7,562,692	7,562,692	12,430,643	27,262,978

Source: Company Reports and eResearch Corp.

Figure 16: Kuuhubb Cash Flow Statement

KuuHubb Inc. Cash Flow Statement (FYE June, US\$)	F2018A	F2019A	FQ120A	FQ220E	FQ320E	FQ420E	F2020E	F2021E	F2022E
Cash Provided By Operating Activities									
Net Income (Loss)	(16,532,211)	(15,152,783)	(1,274,139)	(1,089,998)	(1,174,214)	(1,001,900)	(4,540,251)	13,160	5,721,243
Amortization of Intangibles	4,000,799	6,761,098	-	5,927	5,927	5,927	17,782	23,709	23,709
Depreciation of Property & Equipment	8,423,926	6,099,783	209,552	11,754	10,392	9,493	241,191	31,291	23,987
Stock Based Compensation Expense	2,395,683	1,229,317	360,372	70,300	81,400	140,600	652,672	932,400	2,193,360
Changes in Non-Cash Working Capital									
Trade & Other Receivables	(1,221,687)	1,322,673	(68,197)	55,196	(206,982)	(1,103,901)	(1,323,884)	(3,725,667)	(5,712,690)
Investment/Income Tax Credits	(28,766)	125,736	-	(70,680)	(11,160)	(59,520)	(141,360)	(134,640)	(353,280)
Prepaid Expenses & Other Assets	(118,790)	(262,278)	54,004	(42,615)	(159,307)	(544,657)	(692,575)	(1,457,514)	(2,433,017)
Trade & Other Payables	(186,208)	(913,021)	(319,107)	2,728,147	467,314	1,597,702	4,474,056	4,275,488	7,137,041
Deferred (Unbilled) Revenue	500,642	(200,755)	(89,472)	(305,199)	9,300	49,600	(335,771)	167,400	256,680
Total Cash Provided By Operating Activities	(4,667,624)	(1,292,509)	(1,592,405)	1,362,833	(977,330)	(906,656)	(2,113,558)	125,626	6,857,032
Investing Activities									
Purchase of Property & Equipment	(184,096)	(32,327)	-	(2,174)	(1,983)	(1,814)	(5,971)	(12,064)	(9,281)
Purchase of Intangibles	(389,530)	-	-	(5,927)	(5,927)	(5,927)	(17,782)	(23,709)	(23,709)
Business Acquisition	(9,792,004)	-	-	-	-	-	-	-	-
Redemption of Short-Term Investments & Restricted Cash	-	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	(10,078,059)	(32,327)	-	(8,102)	(7,910)	(7,742)	(23,753)	(35,774)	(32,990)
Financing Activities									
Proceeds from Loan	1,239,282	2,155,218	1,475,198	2,166,840	-	-	3,642,038	-	-
Operating Line (Repayment)	(207,225)	329,755	-	(7,212)	(6,635)	(6,104)	(19,950)	(19,908)	(14,262)
Repayment of Loan	(2,430,498)	(1,077,017)	(95,592)	(92,802)	(134,282)	(131,597)	(454,272)	(500,588)	(461,727)
Issue/Repurchase of Equity	1,058,177	-	-	-	-	-	-	-	-
Proceeds from exercise of Stock Options and Warrants	11,832,974	-	-	-	-	-	-	-	-
Total Cash From Financing Activities	11,492,710	1,407,956	1,379,606	2,066,827	(140,917)	(137,701)	3,167,815	(520,496)	(475,989)
Effect of Exchange Rates on Cash	204,192	(59,278)	(117,452)	-	-	-	(117,452)	-	-
Net Increase in Cash	(3,048,781)	23,842	(330,251)	3,421,558	(1,126,157)	(1,052,098)	913,052	(430,644)	6,348,054
Beginning Cash	3,722,775	673,994	697,836	367,585	3,789,143	2,662,986	697,836	1,610,888	1,180,244
Ending Cash	673,994	697,836	367,585	3,789,143	2,662,986	1,610,888	1,610,888	1,180,244	7,528,298

Source: Company Reports and eResearch Corp.

APPENDIX B: OUTSTANDING SHARES, OPTIONS & WARRANTS

Figure 17: Shares Outstanding for Fully Diluted Share Count and Valuation

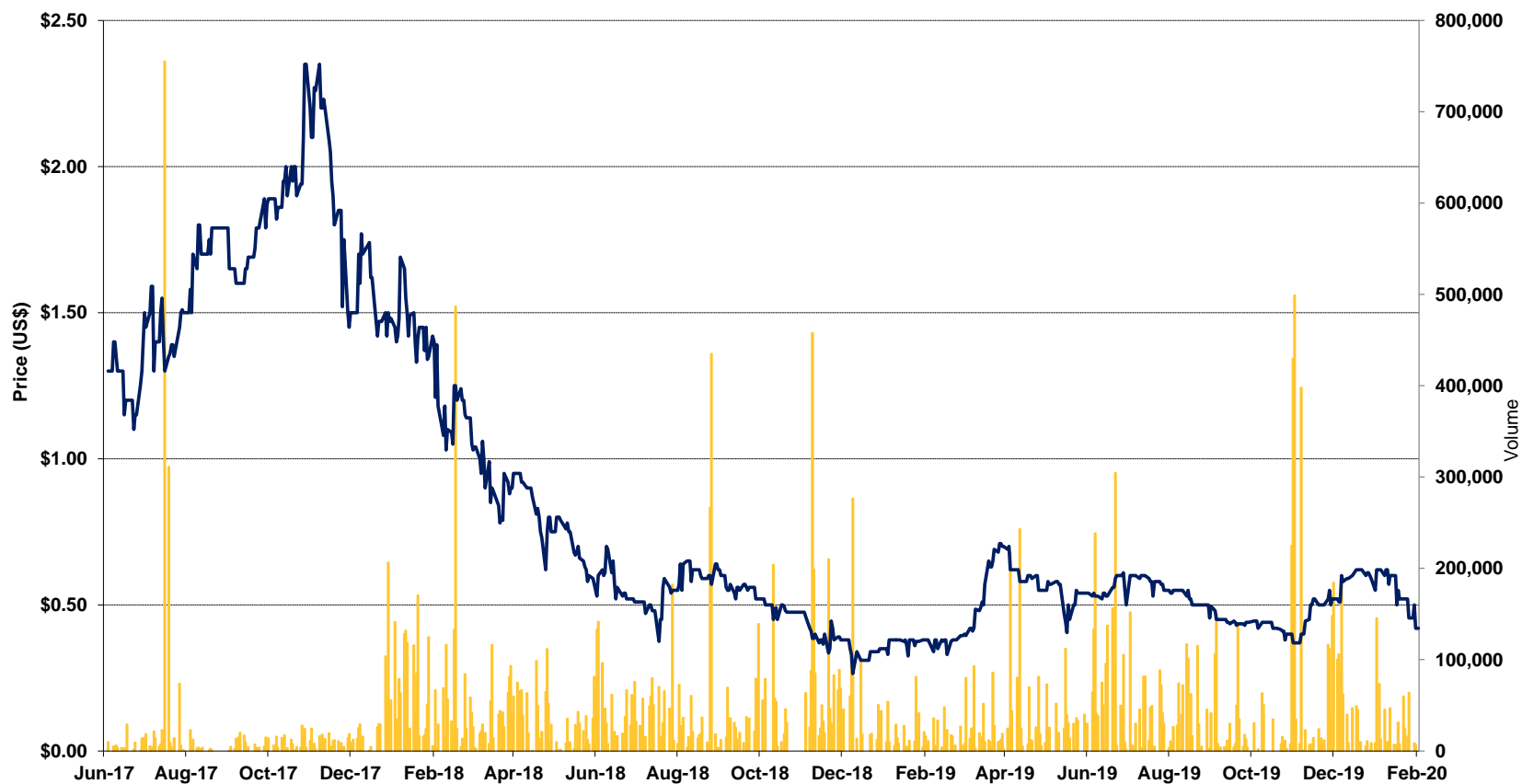
Shares Outstanding		
Shares Outstanding: Weighted Average	FQ120A	55,752,709
Shares Outstanding: Basic - End of Previous Quarter	FQ419A	55,581,427
Shares issued in Quarter		171,282
Shares Outstanding: Basic - current quarter		55,752,709
- In the money options		-
- In the money warrants		-
Shares Outstanding, Fully Diluted: current quarter		55,752,709

Shares Outstanding - Valuation	
Shares Outstanding: Basic - current quarter	55,752,709
- In the money options: Strike price below Target Price	7,425,000
- In the money warrants: Strike price below Target Price	-
- Convertible Debt	3,625,000
- Acquisition of CODECACAO D.O.O.	1,000,000
Shares Outstanding, Fully Diluted: current quarter	67,802,709

Source: Company Reports and eResearch Corp.

APPENDIX C: KUUHUBB STOCK SINCE REVERSE TAKEOVER IN JUNE 2017

Figure 18: Kuuhubb Stock Chart



Source: Yahoo!Finance, Company Reports and eResearch Corp.

APPENDIX D: GAMING COMPARABLES

Figure 19: Large Cap Gaming Comparables

Name	Feb 17 Close (US\$)	Mkt Cap (US\$ M)	Cash (US\$ M)	Debt (US\$ M)	EV (US\$ M)	REVENUE (US\$ M)			EBITDA (US\$ M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Large Cap Gaming Comps																	
Activision Blizzard, Inc.	\$63.52	\$48,800	\$5,794	\$2,950	\$45,956	\$7,500	\$6,363	\$6,782	\$2,507	\$2,212	\$2,548	6.1x	7.2x	6.8x	18.3x	20.8x	18.0x
Capcom Co., Ltd.	\$30.44	\$3,250	\$552	\$68	\$2,766	\$860	\$901	\$766	\$189	\$228	\$260	3.2x	3.1x	3.6x	14.7x	12.1x	10.6x
Electronic Arts Inc.	\$109.69	\$31,774	\$5,602	\$1,238	\$27,410	\$5,150	\$4,786	\$5,193	\$1,701	\$1,893	\$1,768	5.3x	5.7x	5.3x	16.1x	14.5x	15.5x
GungHo Online Entertainment, Inc.	\$17.44	\$1,216	\$787	\$2	\$474	\$838	\$969	\$769	\$253	\$295	\$218	0.6x	0.5x	0.6x	1.9x	1.6x	2.2x
Konami Holdings Corporation	\$39.59	\$5,353	\$1,020	\$129	\$4,470	\$815	\$2,370	\$2,428	\$525	\$540	\$628	5.5x	1.9x	1.8x	8.5x	8.3x	7.1x
NetEase, Inc.	\$354.64	\$45,380	\$8,792	\$15,945	\$53,459	\$67,156	\$9,089	\$9,616	\$9,976	\$2,235	\$2,605	0.8x	5.9x	5.6x	5.4x	23.9x	20.5x
NEXON Co., Ltd.	\$16.63	\$14,640	\$4,650	\$109	\$10,173	\$2,309	\$2,241	\$2,381	\$1,033	\$934	\$993	4.4x	4.5x	4.3x	9.9x	10.9x	10.2x
Nintendo Co., Ltd.	\$364.00	\$43,361	\$9,930	\$0	\$33,433	\$9,607	\$11,238	\$11,699	\$1,698	\$2,839	\$3,397	3.5x	3.0x	2.9x	19.7x	11.8x	9.8x
Square Enix Holdings Co., Ltd.	\$45.59	\$5,438	\$1,127	\$0	\$4,313	\$2,279	\$2,349	\$2,573	\$402	\$350	\$465	1.9x	1.8x	1.7x	10.7x	12.3x	9.3x
Take-Two Interactive Software,	\$113.43	\$12,177	\$1,984	\$176	\$10,369	\$1,793	\$2,936	\$2,847	\$297	\$676	\$683	5.8x	3.5x	3.6x	34.9x	15.3x	15.2x
Tencent Holdings Limited	\$53.63	\$509,319	\$25,917	\$28,166	\$516,823	\$30,216	\$48,409	\$60,234	\$14,528	\$17,950	\$21,166	17.1x	10.7x	8.6x	35.6x	28.8x	24.4x
Ubisoft Entertainment SA	\$80.06	\$9,576	\$1,776	\$2,252	\$10,054	\$2,134	\$2,329	\$1,588	\$583	\$855	\$1,208	4.7x	4.3x	6.3x	17.2x	11.8x	8.3x
Zynga Inc.	\$6.93	\$6,555	\$1,361	\$712	\$5,906	\$907	\$1,287	\$1,629	\$57	\$306	\$362	6.5x	4.6x	3.6x	103.6x	19.3x	16.3x
Mean												5.0x	4.4x	4.2x	12.2x	11.8x	11.1x
Median												4.7x	4.3x	3.6x	16.1x	12.3x	10.6x

Source: S&P Capital IQ; eResearch Corp.

Figure 20: Nordic Gaming Comparables

Name	Feb 17 Close (US\$)	Mkt Cap (US\$ M)	Cash (US\$ M)	Debt (US\$ M)	EV (US\$ M)	REVENUE (US\$ M)			EBITDA (US\$ M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Nordic Gaming Comps																	
Embracer Group AB (publ)	\$9.37	\$2,919	\$296	\$182	\$2,807	\$462	\$577	\$564	\$37	\$196	\$250	6.1x	4.9x	5.0x	75.2x	14.4x	11.2x
G5 Entertainment AB (publ)	\$10.27	\$93	\$16	\$0	\$77	\$150	\$127	\$143	\$16	\$18	\$21	0.5x	0.6x	0.5x	4.9x	4.3x	3.7x
MAG Interactive AB (publ)	\$1.29	\$34	\$20	\$1	\$15	\$24	\$21	\$24	-\$1	\$1	\$3	0.6x	0.7x	0.6x		14.3x	4.9x
Paradox Interactive AB (publ)	\$14.78	\$1,561	\$45	\$3	\$1,519	\$116	\$128	\$167	\$52	\$72	\$96	13.1x	11.8x	9.1x	29.4x	21.0x	15.9x
Remedy Entertainment Oyj	\$15.49	\$187	\$21	\$3	\$169	\$22	\$40	\$39	\$1	\$13	\$12	7.7x	4.2x	4.3x	141.6x	13.2x	14.1x
Rovio Entertainment Oyj	\$4.38	\$344	\$140	\$17	\$220	\$305	\$322	\$308	\$34	\$40	\$45	0.7x	0.7x	0.7x	6.4x	5.5x	4.9x
Starbreeze AB (publ)	\$0.18	\$60	\$9	\$42	\$94	\$36	\$70	\$118	-\$17	\$28	\$61	2.6x	1.3x	0.8x		3.3x	1.5x
Stillfront Group AB (publ)	\$48.27	\$1,399	\$40	\$112	\$1,472	\$149	\$205	\$290	\$38	\$80	\$148	9.9x	7.2x	5.1x	38.3x	18.4x	9.9x
Mean												5.2x	3.9x	3.3x	5.7x	10.5x	8.3x
Median												4.3x	2.8x	2.5x	33.9x	13.7x	7.4x

Source: S&P Capital IQ; eResearch Corp.

Figure 21: Canadian Gaming Comparables

Name	Median Close (US\$)	Mkt Cap (US\$ M)	Cash (US\$ M)	Debt (US\$ M)	EV (US\$ M)	REVENUE (US\$ M)			EBITDA (US\$ M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Kuuhubb Inc.	\$0.32	\$18	\$0	\$6	\$24	\$19	\$9	\$14	-\$6	-\$3	-\$4	1.3x	2.5x	1.7x			
Canadian Gaming Comps																	
Axion Ventures Inc.	\$0.20	\$43.4	\$1.0	\$14.5	\$56.3	\$8.9	\$4.8	\$34.2	-\$7.6	-\$9.3	\$12.7	6.3x	11.7x	1.6x			4.4x
Enthusiast Gaming Holdings Inc.	\$1.51	\$109	\$6.0	\$8.7	\$111.7	\$0.0	\$14.8	\$29.8	\$0.0	-\$4.9	\$0.7		7.5x	3.7x			152.8x
ePlay Digital Inc.	\$0.03	\$2.0	\$0.1	\$0.9	\$2.8	\$0.2	\$0.0	\$0.0	-\$0.4	\$0.0	\$0.0	18.4x					
Fandom Sports Media Corp.	\$0.03	\$0.5	\$0.0	\$0.0	\$0.5	\$0.0	\$0.0	\$0.0	-\$3.0	\$0.0	\$0.0						
Global Daily Fantasy Sports Inc.	\$0.11	\$8.2	\$0.0	\$0.0	\$8.1	\$0.1	\$0.0	\$0.0	-\$3.2	\$0.0	\$0.0	103.6x					
Torque Esports Corp.	\$0.81	\$2	\$0.4	\$2.7	\$4.6	\$4.8	\$0.0	\$0.0	-\$11.8	\$0.0	\$0.0	1.0x					
Versus Systems Inc.	\$0.19	\$26	\$0.5	\$4.2	\$14.9	\$0.0	\$0.8	\$11.0	-\$6.6	-\$4.0	\$6.3	12499.1x	17.5x	1.3x			2.4x
Mean												8.5x	12.3x	2.2x			3.4x
Median												18.4x	11.7x	1.6x			4.4x

Source: S&P Capital IQ; eResearch Corp.

APPENDIX E: RISKS

Kuuhubb acquires and develops mobile software games, which are individually subject to the risks inherent with launching a new software product for entertainment, including the popularity of each game, the acquisition of users through targeted marketing, and the ability to monetize the game. Other risks include the following:

Business and Operating Risks:

- Kuuhubb recently settled a conflict with legacy board members, which has set the Company back in growth due to allocation of marketing and user acquisition capital towards costs in removing board members in addition to management and professional fees.
- Kuuhubb's business strategy includes growth through regularly acquiring or developing new games. Revenue growth and profits could be adversely affected if consumers are not attracted to the new games.
- Kuuhubb must continually develop new game formats that drive engagement and monetization for its existing games, but there is no certainty that such offerings will be popular with end-users or that such offerings or new technologies will be reliable, robust, and not susceptible to failure.

Financial Risks:

- Kuuhubb's revenues are dependent on the amount of marketing spend that is focused on each respective game, therefore dependent on the capital used towards marketing efforts and its effect on user acquisition.
- Kuuhubb will generate revenue from various jurisdictions, which may cause changes in currency fluctuations, exchange controls, economic sanctions and royalty and tax increases, implementation of tariffs and other trade barriers and protectionist practices, taxation policies, including royalty and tax increases and retroactive tax claims.
- Kuuhubb may risk paying damages or being restricted to using a specific technology due to an intellectual property rights claim, which would adversely affect revenues if the Company does not have licensing for the software products.
- Kuuhubb does not anticipate paying dividends any time in the near future.

Legal and Regulatory Risks:

- Kuuhubb has assets and senior management residing outside of Canada, which brings concerns for judgment being organized pursuant to the laws of the jurisdiction outside of Canada, therefore foreign jurisdictions may enforce judgments of Canadian courts.
- Kuuhubb is in the internet, technology, and mobile app industry where products and ideas are protected by patents and it is not uncommon for companies to enter litigation based on allegations of infringement or other violations of intellectual property rights.
- Technology companies dealing directly with consumer data have the risk of a security or privacy breach involving unauthorized access to sensitive information, which may reduce demand for the Company's products and/or may result in significant fines or regulatory compliance issues.

Sales and Marketing Risks:

- A low barrier to entry for developing mobile or online games translates into a very competitive landscape, therefore potential competitors, such as Amazon, Apple, and Google who have significant resources and brand recognition, may take market share if they decide to increase focus on the mobile gaming industry.
- The digital application and gaming industry is highly competitive, and Kuuhubb expects more competitors to emerge and a wider range of applications and games to be introduced. The Company faces competition from a number of competitors who develop applications or games on social networks, mobile, PCs and consoles, some of which include features that compete with games offered by the Company.

Technology Risks:

- Kuuhubb needs to continually innovate to keep ahead of customer preferences and new gaming applications. The Company's investments in game acquisitions and developments are costly and may not contribute to revenues for several years, if at all.

APPENDIX F: MANAGEMENT & BOARD OF DIRECTORS**Management****JOUNI KERÄNEN, CO-FOUNDER & CEO**

- Jouni Keränen is a serial entrepreneur with 20 years of international business management experience within the gaming, digital entertainment, and software development industries, including over 10 years of experience in Asia, with a particular focus on China, India, and Japan. Prior to Kuuhubb, he held senior positions at Sulake (Habbo) T Dispatch Ltd., Apple Toon Inc., and iLemon Group Inc.
- Jouni Keränen received a Master in Science Degree in International Business from the Helsinki School of Economics, which is now the Aalto University School of Business.

CHRISTIAN KOLSTER, CO-FOUNDER & CIO

- Christian Kolster has 25 years of international investments bringing early stage companies public. Prior to Kuuhubb, he was the managing director of C&M Capital and Lago Invest.
- Christian Kolster received an Economic Management degree from the Hanken School of Economics and a degree in international film finance at the University of California, Los Angeles.

ARSI ROSENGREN, CFO KUUHUBB OY

- Arsi Rosengren has over 12 years of experience in corporate finance and business development in the gaming, technology, equity funds, media, SaaS, and biotechnology industries.
- Arsi Rosengren attended the Turku School of Economics at the University of Turku.

PASI PIIPPONEN, COO

- Pasi Piipponen has 15 years of experience in the games, media, and marketing industries.
- Prior to Kuuhubb, he held the position of COO at Dingle Oy and Senior VP at Sulake (Habbo), where he led social business advisory and global advertisement sales.

KRISTOFFER ROSBERG, GM APPS & GAMES

- Kristoffer Rosberg has 19 years of experience as a tech executive in startups and corporate companies, with a history of executing multiple global mobile digital business strategies, pioneering various new technology features, and acquiring users through content and digital marketing. Prior to Kuuhubb, he was the Head of Global Collaboration for mobile solutions and services at Nokia Technology Institute in addition to holding CEO positions at SkillPixels and Deefen Ltd.
- Kristoffer Rosberg received a Master of Science Degree in Social Sciences from the University of Abo Akademi in Finland and graduated from the Program for Leadership Development at Harvard Business School.

MARCO SANDRINI, CTO

- Marco Sandrini has 20 years of experience as a software professional for various technologies including embedded systems, mobile software, complex systems, and cloud computing.
- He received a Master's in Science Degree in Telecommunications from Politecnico di Milano.

Board of Directors**GARNER BORNSTEIN**

- Garner Bornstein is the founder and CEO of Breethe, a meditation lifestyle app with over a couple million users, and is a serial entrepreneur with experience in creating companies through disruptive technologies.
- Previously, he co-founded Airborne Mobile, one of the first mobile content developers and publishers in North America, which was sold in 2005 to Cybird Col. Ltd, a publicly traded Japanese mobile content publisher.

ELMER KIM

- Elmer Kim has over 25 years of experience in investments within the technology industry and is currently the CIO of Hyatt Bangia Family Office and President of Uclid Inc., a private investment and consulting company.
- Previously, he held roles including: VP of Growth Equity at BDC Capital, Managing Director of Royant Equity Partners, and Co-founder of Whitecastle Private Equity Partners.

ANDRE LÜDI

- Andre Lüdi has over 30 years of experience in investment and private banking, and is currently the Senior Partner and Board Member of ACT Asset Management AG.
- Previously, he held roles including: Founder and Managing Partner of an asset management company, member of the Aquila Group, Wealth Manager at UBS AG and VP Bank Ltd., and precious metals and foreign exchange trader at numerous banks in Basel, Geneva, and Toronto.

JOUNI KERÄNEN, CO-FOUNDER & CEO

- See his biography in the Management section.

CHRISTIAN KOLSTER, CO-FOUNDER & CIO

- See his biography in the Management section.

APPENDIX G: RECENT NEWS RELEASES**Kuuhubb Inc. Announces Acquisition of Codecacao D.O.O.****February 12, 2020**

Kuuhubb announced the acquisition of Codecacao d.o.o, a Croatian company, for €150,000 and 1 million common shares of Kuuhubb payable in installments over a two-year period. Codecacao is a mobile software development company based in Zagreb, Croatia.

Kuuhubb Announces Closing of €2 Million Convertible Debenture Financing**February 3, 2020**

Kuuhubb stated that it closed the previously announced, non-brokered private placement of an unsecured Convertible Debenture of €2 million (approximately C\$2.9 million).

Kuuhubb Announces Non-Brokered Private Placement of €2 Million Convertible Debenture**January 20, 2020**

Kuuhubb announced a non-brokered private placement offering of an unsecured Convertible Debenture of €2 million (approximately C\$2.9 million). The Debenture will mature 36 months from the closing date with an interest rate of 10% per year and be convertible into common shares of the Company at a conversion price of C\$0.80/share

Kuuhubb Issues Incentive Stock Options**January 16, 2020**

Kuuhubb announced that it has granted to employees, directors and consultants of the Company, pursuant to the terms of the Company's stock option plan, a total of 625,000 stock options to purchase shares of the Company at a price of C\$0.62/share for a period of five years.

Recolor Reaches the Top 10 in U.S. App Store Charts**January 14, 2020**

Kuuhubb announced that Recolor has reached the Top 10 in Apple's Top App Charts in the United States and 14 other countries across the globe. Recolor is listed in the seventh spot in Apple's Most Downloaded Free Entertainment iPad Apps category in the U.S. Other apps in the Top 7 are Disney+, Netflix, Amazon Prime, Hulu, YouTube Kids, and TikTok.

Kuuhubb Reports Fiscal Q1 2020 Financial Results**November 28, 2019**

Kuuhubb reported its unaudited financial results for the three-month period ended September 30, 2019. Revenue for the three months was \$2.29 million which was generated from sales of the Recolor app, the in-app sale of virtual goods from the My Hospital game, and in-app advertising revenue.

Kuuhubb Announces Commercial Launch of Recolor by Numbers**November 6, 2019**

Kuuhubb announced the successful commercial release of its in-house developed and produced mobile game, Recolor by Numbers. Recolor by Numbers was soft launched in April 2019 and offers advanced, vibrant graphics, sophisticated design images, and colour palettes featuring numerous colouring effects.

Kuuhubb Reports Fiscal Year End Audited Annual Financial Results**October 28, 2019**

Kuuhubb released its annual financial results for the financial year ended June 30, 2019. Kuuhubb recognized annual revenue of \$12.4 million, generated from sales of the Recolor app (\$9.7 million), in-application sale of virtual goods from the My Hospital game (\$1.5 million) and advertising revenue (\$1.1 million).

Kuuhubb Announces Update on Next Generation Mobile Game Expansion into Match-3 and Casual Match-3 Esports Platforms**October 2, 2019**

Kuuhubb announced the launch of its second generation of new apps which includes popular Match-3 genre games, Dance Talent, and Tiles & Tales. The first generation of games laid a foundation with the success of Recolor and My Hospital, which have generated more than \$33 million. The proprietary game engine used in the second generation of games will also be used to develop the third generation of games which will include an eSports platform by combining the casual Match-3 games with the popular Battle Royale game play.

Kuuhubb Announces Closing of €1.1M Non-Dilutive Debt Financing**July 23, 2019**

Kuuhubb announced the closing of a non-dilutive debt financing of C\$1.6 million, which has a two-year term with 7% interest. There are no warrants or convertible features attached to this deal. Kuuhubb CEO, Jouni Keränen acknowledged board member, Andre Lüdi, for providing connections to finance contacts in Switzerland. The financing is subject to TSX Venture Exchange approval.

Kuuhubb Announces Development of New Game “Tiles & Tales”**May 14, 2019**

Kuuhubb announced the development of a new second-generation game called Tiles & Tales, which will combine casual Match-3 style game-play with digital storytelling, and will be funded with a non-dilutive Finnish government loan of approximately \$1.1 million. Tiles & Tales will be supported by Brunette Games, a leading narrative design studio, who will be developing one of the story lines. In 2018, mobile puzzle games such as Match-3 captured 60% of the \$8.1 billion market of casual games in the West.

Kuuhubb Announces the Successful Soft Launch of Recolor by Numbers on iOS**April 3, 2019**

Kuuhubb announced the successful soft launch on the iOS platform for its new game, Recolor by Numbers, a colouring application that builds off the foundations of its flagship app Recolor which has over 50 million downloads to date. Recolor by Numbers is a color-by-numbers game that is traditionally focused on the children’s demographic but with enhanced 2D and 3D graphics with rich designs. Kuuhubb’s general manager, Kristoffer Rosberg, believes Recolor by Numbers can easily replicate best hit features from the flagship Recolor game.

Kuuhubb Announces Issuance of 246,134 Common Shares to Settle Amounts Due and Resignation of Mr. Arnold Kondrat**March 25, 2019**

Kuuhubb announced the issuance of 246,134 common shares at a price per share of \$0.375 to Messrs. Maurice Colson and Geoffrey Farr to settle \$92,300 of outstanding debt related to director fees and other salary owed to Messrs. Colson and Farr. The common shares have a four-month statutory hold period which expires in July 12, 2019. Member of the board of directors, Mr. Arnold Kondrat announced his resignation which will be effective March 25, 2019.

Kuuhubb Announces Closing of Approximately Euro 1 Million Non-Dilutive Financing**March 4, 2019**

Kuuhubb announced closing of a €1 Million non-dilutive financing from Business Finland, the Finnish Funding Agency for Innovation, which includes a seven-year maturity period with an interest rate of 1% per year as part of the Business Finland program. The first three years of the loan are repayment free.

APPENDIX H: APPS & WEBSITES

1. Recolor
 - Subsidiary: Sumoing Ltd.
 - Platform: iPad and iPhone
 - Apple App Store: <https://apps.apple.com/us/app/recolor-adult-coloring-book/id1027352017>
 - Facebook: <https://www.facebook.com/recolorapp/>
2. Recolor by Numbers
 - Subsidiary: Sumoing Ltd.
 - Platform: iPad and iPhone
 - Apple App Store: <https://apps.apple.com/ca/app/recolor-by-numbers/id1411398756>
 - Facebook: <https://www.facebook.com/recolorbynumbers/>
3. Dance Talent: Match-3 Story
 - Subsidiary: Kuu Hubb Oy
 - Platform: iPad & iPhone
 - Apple App Store: <https://apps.apple.com/ca/app/dance-talent-match-3-story/id1438651735>
 - Facebook: <https://www.facebook.com/dancetalentapp/>
4. My Hospital
 - Subsidiary: Kuu Hubb Oy
 - Platform: Mac
 - Apple App Store: <https://apps.apple.com/ca/app/my-hospital/id1133956228?mt=12>
 - Facebook: <https://www.facebook.com/myhospitalgame/>
5. My Hospital: Build. Farm. Heal
 - Subsidiary: Kuu Hubb Oy
 - Platform: iPad and iPhone
 - Apple App Store: <https://apps.apple.com/ca/app/my-hospital-build-farm-heal/id951697341>
 - Facebook: <https://www.facebook.com/myhospitalgame/>

APPENDIX I: ERESEARCH DISCLOSURE

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ANALYST ACCREDITATION

eResearch Analyst on this Report: Chris Thompson CFA, MBA, P.Eng.

Analyst Affirmation: I, Chris Thompson, hereby state that, at the time of issuance of this research report, I do not own common shares, share options or share warrants of Kuuhubb Inc. (TSXV:KUU).

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