



REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$1.90	\$1.90
Revenue F2020E (M)	\$7.9	\$10.2
Adj. EBITDA F2020E (M)	-\$3.0	-\$3.2
Adj. EPS F2020 (M)	-\$0.08	-\$0.09

MARKET DATA

Date:	Jun 12, 2020
Current Price (C\$):	\$0.24
Target Price (C\$):	\$1.90
52-Week Range:	\$0.20 / \$0.62
Shares O/S (M):	55.8
Mkt Cap (C\$M);	\$13.4
EV (C\$M):	\$22.2
Avg. Weekly Vol. (M):	0.04

Website: kuuhubb.com

FINANCIALS

	F2019A	F2020E	F2021E
Revenue (\$M)	\$12.4	\$7.9	\$20.3
EBITDA (\$M)	-\$1.3	-\$3.0	\$1.2
EPS (\$)	-\$0.27	-\$0.08	\$0.00
Cash (\$M)	\$0.7	\$2.5	\$2.7
Current Assets (\$M)	\$3.2	\$4.8	\$11.6
Net Cash (\$M)	-\$2.9	-\$5.9	-\$5.2
Total Assets (\$M)	\$4.6	\$5.4	\$12.2
Debt (\$M)	\$3.5	\$5.4	\$4.9
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)

Fiscal Q3/2020 Financial Results Below Estimates

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.

FQ3/2020 FINANCIAL RESULTS:

- Revenue for the 3 months, ended March 31, 2020, was \$1.8M compared to revenue of \$2.8M for the 3 months ended March 31, 2019. Revenue for the quarter was slightly lower than our estimate of \$2.1M.
- Revenue was primarily generated from sales of the *Recolor App*, in-application sale of virtual goods from the *My Hospital* game, and in-application advertising.
- In March, during the COVID-19 crisis, Kuuhubb announced that it was providing free access to “*Recolor by Numbers*”, in support of people coping with quarantine & self-isolation, and this free access marginally impacted revenues in the quarter.
- In FQ3/2020, Expenses were \$2.8M, higher than our estimate of \$2.6M, mainly due to higher spending on Sales & Marketing.
- During the three months ended March 31, 2020, Kuuhubb incurred a net loss of \$1.2M compared to a net loss of \$2.6M in FQ3/2019. Cash flows from operating activities was negative \$1.2M, compared to negative \$0.8M in FQ3/2019.
- Due to delays caused by the COVID-19 crisis, we decreased our revenue estimates in F2020 to \$7.9M from \$10.2M and in F2021, FY starting in July 2020, to \$20.3M from \$25.2M.

FINANCIAL ESTIMATES & VALUATION:

- For the next 3 Fiscal years, ending June 30, our revised estimate of Kuuhubb’s revenue is as follows:
 - F2020: Revenue \$7.9 million; EBITDA -\$3.0 million;
 - F2021: Revenue \$20.3 million; EBITDA \$1.2 million;
 - F2022: Revenue \$55.3 million; EBITDA \$8.3 million.
- We estimate an equal-weighted price per share target of C\$1.90, blending a target price based on a DCF valuation (C\$2.94/share) and a Revenue Multiple valuation (C\$0.89/share).
- Currently trading at 1.6x F2020 EV/Revenue compared with the Large Cap gaming comps trading at 4.3x C2020 EV/Revenue and the Nordic gaming comps at 5.0x C2020 EV/Revenue.
- We are maintaining a Buy rating and the one-year price target at C\$1.90/share.

All figures in USD unless otherwise stated.

REVIEW OF FQ3/2020 FINANCIALS

Kuuhubb's revenue for the 3 months ended March 31, 2020 was \$1.8 million compared to revenue of \$2.8 million for the 3 months ended March 31, 2019. Revenue for the quarter was slightly lower than our estimate of \$2.1M.

Revenue was primarily generated from sales of the Recolor App, in-application sale of virtual goods from the My Hospital game, and in-application advertising.

On March 25, 2020, during the COVID-19 crisis, Kuuhubb announced that it was providing free access to "Recolor by Numbers", in support of people coping with quarantine & self-isolation, and this free access marginally impacted revenues in the quarter.

In FQ3/2020, Expenses were \$2.8 million, higher than our estimate of \$2.6 million, mainly due to higher spending on Sales & Marketing.

During the three months ended March 31, 2020, Kuuhubb incurred a net loss of \$1.2 million compared to a net loss of \$2.6 million in FQ3/2019.

Cash flows from operating activities was negative \$1.2 million, compared to negative \$0.8 million in FQ3/2019.

Figure 1: Financial Summary

	FQ119A	FQ219A	FQ319A	FQ419A	F2019A	FQ120A	FQ220A	FQ320A	FQ320E	Diff.	FQ420E	F2020E
Revenue (\$M)	\$4.1	\$3.1	\$2.8	\$2.4	\$12.4	\$2.3	\$2.0	\$1.8	\$2.1	-15%	\$1.8	\$7.9
Expenses (\$M)	\$4.7	\$3.6	\$3.6	\$3.8	\$15.7	\$2.6	\$2.3	\$2.8	\$2.6	5%	\$1.7	\$9.3
O.I. (\$M)	(\$2.2)	(\$1.9)	(\$2.1)	(\$2.5)	(\$8.7)	(\$1.3)	(\$1.0)	(\$1.8)	(\$1.2)	53%	(\$0.5)	(\$4.6)
Adj. EBITDA (\$M)	(\$0.2)	(\$0.1)	(\$0.3)	(\$0.7)	(\$1.3)	(\$0.7)	(\$0.5)	(\$1.3)	(\$1.1)	24%	(\$0.4)	(\$3.0)
Diluted EPS	(\$0.04)	(\$0.04)	(\$0.05)	(\$0.15)	(\$0.27)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.00)	(\$0.01)	(\$0.08)
Cash (\$M)	\$0.21	\$2.27	\$1.29	\$0.70	\$0.70	\$0.37	\$1.29	\$2.26	\$4.17		\$2.45	\$2.45
Debt (\$M)	\$4.53	\$4.46	\$4.84	\$4.25	\$4.25	\$5.16	\$5.60	\$5.48	\$7.75		\$5.37	\$5.37

Source: Company Report and eResearch Corp.

Financing Events

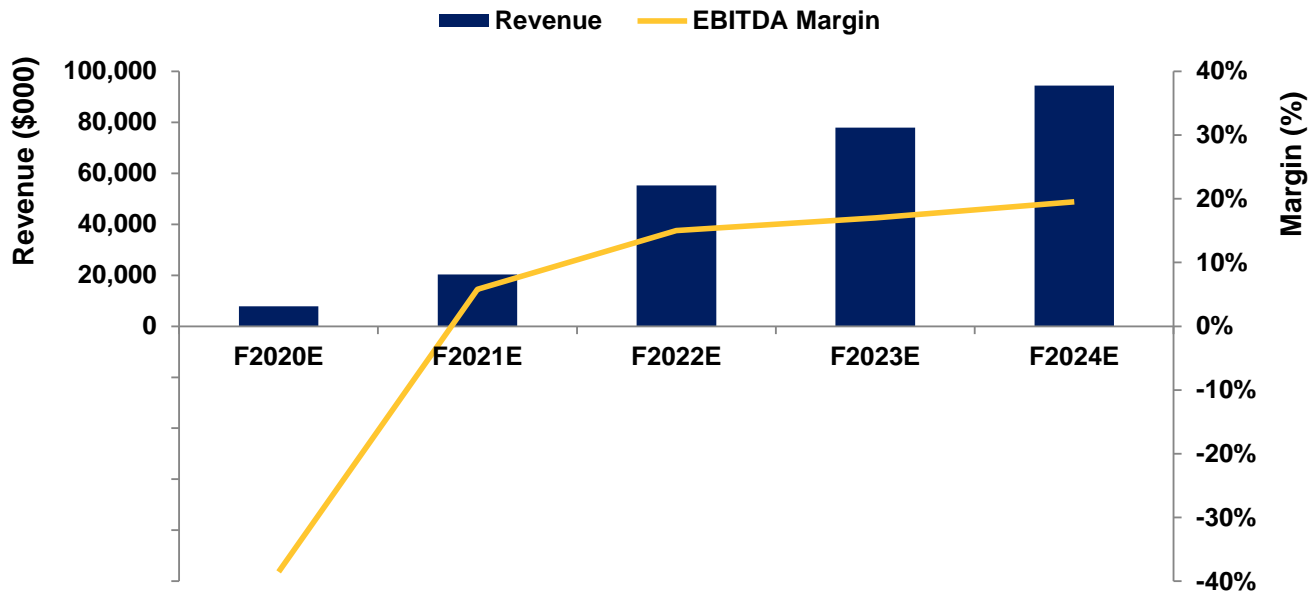
In January 2020, Kuuhubb received \$0.3 million from Valiance UG as partial repayment for an outstanding loan receivable balance.

In February 2020, Kuuhubb closed a non-brokered private placement offering of an unsecured convertible debenture. The €2 million convertible debenture will mature on January 13, 2023 with an interest rate of 10% per year and can be converted at C\$0.80 per share.

In the report, Kuuhubb stated that the Company has taken measures to conserve cash during the current Covid-19 health crisis by implementing various cost-saving measures. They expect to save approximately \$1 million over the next 6 months.

As of March 31, 2020, Kuuhubb had a cash position of \$2.26 million.

Figure 2: Revenue and EBITDA Margins



Source: Company Reports and eResearch Corp.

New Product Launch and Growth Strategy

Kuuhubb reported that *Recolor* and *My Hospital*, the Company's first generation of apps continued to stabilize revenue after a period of decline.

During FQ3/2020, Kuuhubb announced that *Recolor* reached the Top 10 in Apple's Top App Charts in the United States and fourteen other countries. *Recolor* was featured in Apple's Most Downloaded Free Entertainment iPad Apps category. Other apps in the Top 10 included Amazon Prime, Disney+, Hulu, Netflix, TikTok, and YouTube Kids.

Currently in soft launch are the Company's second-generation, Match-3 apps with story-based formats, *Tiles & Tales* and *Dance Talent*. *Tiles & Tales* is available for both iOS and Android devices in Australia, Croatia, Finland, the Netherlands, and Philippines.

Kuuhubb reported that the new Match-3 games are progressing towards final fine-tuning and optimization with full global commercialization, across both iOS and Android platforms, scheduled for the end of calendar 2020.

Tiles & Tales is Kuuhubb's first game developed entirely in the Company's Helsinki Game Studio using an in-house developed Match-3 engine. Kuuhubb intends to use its Match-3 engine to develop other Match-3 games. Using the in-house engine and expertise, Kuuhubb believes these factors will significantly reduce the resources and time required to bring new titles to market.

VALUATION

Changes to our Model:

Due to delays caused by the COVID-19 crisis, we decreased our revenue estimates in F2020 to \$7.9 million from \$10.2 million and in F2021 to \$20.3 million from \$25.2 million. For Kuuhubb, FY2021 starts on July 1, 2020.

For the next 3 Fiscal years, ending June 30, our revised estimate of Kuuhubb's revenue is as follows:

- F2020: Revenue \$7.9 million; EBITDA -\$3.0 million;
- F2021: Revenue \$20.3 million; EBITDA \$1.2 million;
- F2022: Revenue \$55.3 million; EBITDA \$8.3 million.

Gaming Comparables

Kuuhubb is trading at a 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 C: GAMING COMPARABLES).

- Kuuhubb is trading at 1.6x F2020 EV/Revenue
- Global Gaming companies are trading at 4.3x C2020 EV/Sales
- Nordic Gaming companies are trading at 5.0x C2020 EV/Sales
- Canadian Gaming companies are trading at 2.1x C2020 EV/Sales

Target Price Calculation

Method 1: Discounted Cash Flow (see Figure 4)

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\$2.94.

Method 2: Revenue Multiple (see Figure 3)

Using a revenue multiple of 3x and a one-year forward Revenue estimate of \$13.8 million, the one-year target share price estimate is C\$0.89.

We estimate an equal-weighted price per share target by blending a target price based on a DCF valuation and a Revenue Multiple valuation. The equal-weighted price per share is C\$1.91.

We are maintaining a Buy Rating and a 1 Year Target Price of C\$1.90.

Figure 3: Target Price (1 Year) Calculation for Kuuhubb

			Valuation
Method 1: DCF	WACC:12%	Terminal Multiple:10x EBITDA	C\$2.94
Method 2: Revenue Multiple	3.0x	1 Year Fwd Revenue (Est.): \$14.1M	C\$0.89
Equal-Weighted Valuation (1-year)			C\$1.91
Target Price (1-year)			C\$1.90

Source: eResearch Corp.

Figure 4: DCF Analysis

Kuuhubb Inc. FYE(June)						
DCF Analysis (US\$)	F2019E	F2020E	F2021E	F2022E	F2023E	F2024E
Revenue (\$)	12.4	7.9	20.3	55.3	77.9	94.4
Revenue Growth	-40.6%	-36.5%	158.5%	172.3%	40.9%	21.1%
EBITDA (\$)	(1.8)	(3.0)	1.2	8.3	13.2	18.4
EBITDA Growth	-294.2%	-69.7%	138.8%	606.3%	59.5%	39.1%
EBITDA Margin	-14.4%	-38.5%	5.8%	15.0%	17.0%	19.5%
Depreciation and Amortization	12.9	0.6	0.0	0.0	0.0	0.0
EBIT (\$)	(14.6)	(3.7)	1.1	8.3	13.2	18.4
NOPAT	(8.0)	(4.5)	0.3	5.7	9.4	13.5
Plus Amortization (\$)	12.9	0.6	0.0	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%	0.1%	0.1%	0.0%	0.0%	0.0%
Net Working Capital Changes	(0.1)	0.7	(0.2)	(1.0)	0.9	(0.1)
EPS (Continuing)	(0.27)	(0.08)	0.00	0.10	0.16	0.24
Unlevered Free Cash Flow (\$)	4.7	(3.2)	0.2	4.7	10.3	13.4
PV of Unlevered FCFs (\$)	5.3	(3.2)	0.2	3.7	7.3	8.5

Valuation Assumptions:

Discount Rate	12.0%
Terminal Multiple	10.0x

Valuation Analysis:

	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	16.5	22.0	24.4
Terminal Value (\$M)	184.2	184.2	184.2
PV of Terminal Value (\$M)	116.4	130.4	146.0
Net (debt) cash position	(5.9)	(6.0)	(1.1)
Total Value (\$M)	126.9	146.3	169.4
DCF Value/Share (US\$)	US\$1.87	US\$2.16	US\$2.50
DCF Value/Share (C\$)	C\$2.55	C\$2.94	C\$3.40
FD Shares O/S (M)	67.8	67.8	67.8

Source: Company Reports, eResearch

APPENDIX A: 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 March 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 million to \$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 1.6x F2020 EV/Revenue compared with the Large Cap Gaming Comps trading at 4.3x C2020 EV/Revenue and the Nordic Gaming Comps at 5.0x C2020 EV/Revenue (see APPENDIX C: GAMING COMPARABLES).

APPENDIX B: KUUHUBB'S FINANCIAL STATEMENTS

Figure 5: KuuHubb Income Statement

KuuHubb Inc. Income Statement (FYE June, US\$)	F2018A	F2019A	FQ120A	FQ220A	FQ320A	FQ420E	F2020E	F2021E
Total Revenue	20,795,398	12,362,053	2,285,184	1,973,984	1,794,638	1,800,000	7,853,806	20,300,000
Total Cost of Sales	7,736,074	5,362,436	993,332	736,933	822,590	558,000	3,110,855	5,075,000
Sales and Marketing	11,465,412	2,788,847	615,184	419,113	1,003,927	810,000	2,848,224	8,120,000
General and Administrative	3,665,951	5,559,578	1,418,574	1,357,780	1,299,957	846,000	4,922,311	5,930,000
Research and Development	-	-	-	-	-	-	-	-
Stock Based Compensation	2,395,683	1,229,317	360,372	267,337	243,244	66,600	937,553	751,100
Depreciation of Property & Equipment	8,423,926	6,099,783	209,552	208,032	207,033	10,557	635,174	36,984
Total Operating Expenses	26,961,033	15,677,525	2,603,682	2,252,262	2,754,161	1,735,148	9,345,253	14,846,047
Operating Income	(13,901,709)	(8,677,908)	(1,311,830)	(1,015,211)	(1,782,113)	(493,148)	(4,602,302)	378,953
Total Other Income	(2,358,534)	(7,869,759)	37,691	(391,384)	538,818	(69,578)	115,547	(264,059)
EBT	(16,260,243)	(16,547,667)	(1,274,139)	(1,406,595)	(1,243,295)	(562,725)	(4,486,754)	114,894
Income Taxes	(271,968)	1,394,884	-	-	-	56,273	56,273	(11,489)
Net Income (Loss)	(16,532,211)	(15,152,783)	(1,274,139)	(1,406,595)	(1,243,295)	(506,453)	(4,430,482)	103,404
EPS								
Basic EPS	(0.34)	(0.27)	(0.02)	(0.03)	(0.02)	(0.01)	(0.08)	0.00
Diluted EPS	(0.34)	(0.27)	(0.02)	(0.03)	(0.02)	(0.01)	(0.08)	0.00
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
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

Source: Company Reports and eResearch Corp.

Figure 6: Kuuhubb Balance Sheet

KuuHubb Inc. Balance Sheet (As at Jun 30, US\$)	F2018A	F2019A	FQ120A	FQ220A	FQ320A	FQ420E	F2020E	F2021E
Current Assets								
Cash	673,993	697,836	367,585	1,287,555	2,257,512	2,453,651	2,453,651	2,701,483
Restricted Cash & Short-Term Investments	0	0	0	0	0	0	0	0
Trade & Other Receivables	2,344,358	1,937,263	1,366,079	1,724,071	1,772,583	1,241,889	1,241,889	5,519,507
Investment Tax Credits Receivable	122,778	207,164	0	0	0	66,960	66,960	240,000
Prepaid Expenses & Other Assets	1,159,847	381,068	1,385,924	336,824	329,555	1,016,006	1,016,006	3,120,685
Total Current Assets	4,300,976	3,223,331	3,119,588	3,348,450	4,359,650	4,778,506	4,778,506	11,581,675
Non-Current Assets								
Property and Equipment	138,368	126,362	108,713	104,495	106,645	98,221	98,221	75,510
Intangible Assets	7,912,620	824,596	592,730	406,944	199,081	199,081	199,081	199,081
Goodwill	5,924,672	0	0	0	0	0	0	0
Other	0	384,933	380,400	387,855	355,110	355,110	355,110	355,110
Total Assets	18,276,636	4,559,222	4,201,431	4,247,744	5,020,486	5,430,917	5,430,917	12,211,376
Current Liabilities								
Trade & Other Payables	2,694,557	1,781,452	1,462,345	1,424,334	1,699,066	2,980,362	2,980,362	9,154,253
Deferred Revenue	654,326	453,571	364,099	335,654	370,079	55,800	55,800	248,000
Due to Related Parties	520,356	90,145	90,145	90,145	90,145	82,933	82,933	59,413
Short-Term Debt	685,947	1,913,619	1,808,496	2,177,618	2,695,064	2,863,643	2,863,643	3,307,777
Taxes Payable	271,968	273,651	268,765	274,032	250,898	250,898	250,898	250,898
Total Current Liabilities	4,926,136	4,602,009	4,073,530	4,999,586	5,904,449	7,032,834	7,032,834	13,819,538
Non-Current Liabilities								
Term Loan	2,443,809	1,618,619	2,831,580	3,425,322	2,781,006	2,502,905	2,502,905	1,642,156
Provision/Loan Payable/Benefits Payable	1,035,630	719,067	521,437	0	-1	-1	-1	-1
Total Liabilities	8,490,825	8,721,668	9,205,004	10,323,933	11,733,845	12,584,129	12,584,129	18,510,084
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
Contributed Surplus	3,482,901	4,712,218	5,072,590	5,339,927	5,583,171	5,649,771	5,649,771	6,400,871
Deficit	(17,405,764)	(32,558,547)	(33,832,686)	(35,239,281)	(36,482,576)	(36,989,029)	(36,989,029)	(36,885,625)
Total Shareholders Equity	9,785,811	-4,162,446	-5,003,573	-6,076,189	-6,713,359	-7,153,212	-7,153,212	-6,298,708
Total Liabilities & Shareholders Equity	18,276,636	4,559,222	4,201,431	4,247,744	5,020,486	5,430,917	5,430,917	12,211,376

Source: Company Reports and eResearch Corp.

Figure 7: Kuuhubb Cash Flow Statement

KuuHubb Inc. Cash Flow Statement (FYE June, US\$)	F2018A	F2019A	FQ120A	FQ220A	FQ320A	FQ420E	F2020E	F2021E
Cash Provided By Operating Activities								
Net Income (Loss)	(16,532,211)	(15,152,783)	(1,274,139)	(1,406,595)	(1,243,295)	(506,453)	(4,430,482)	103,404
Amortization of Intangibles	4,000,799	6,761,098	-	-	-	1,991	1,991	7,963
Depreciation of Property & Equipment	8,423,926	6,099,783	209,552	208,032	207,033	10,557	635,174	36,984
Stock Based Compensation Expense	2,395,683	1,229,317	360,372	267,337	243,244	66,600	937,553	751,100
Changes in Non-Cash Working Capital								
Trade & Other Receivables	(1,221,687)	1,322,673	(68,197)	730,041	(327,607)	530,694	864,931	(4,277,618)
Investment/Income Tax Credits	(28,766)	125,736	-	-	-	(66,960)	(66,960)	(173,040)
Prepaid Expenses & Other Assets	(118,790)	(262,278)	54,004	(9,760)	7,269	(686,451)	(634,938)	(2,104,679)
Trade & Other Payables	(186,208)	(913,021)	(319,107)	(38,011)	274,732	1,281,296	1,198,910	6,173,890
Deferred (Unbilled) Revenue	500,642	(200,755)	(89,472)	(28,445)	34,425	(314,279)	(397,771)	192,200
Total Cash Provided By Operating Activities	(4,667,624)	(1,292,509)	(1,592,405)	95,222	(1,213,328)	316,996	(2,393,515)	710,204
Investing Activities								
Purchase of Property & Equipment	(184,096)	(32,327)	-	-	-	(2,133)	(2,133)	(14,273)
Purchase of Intangibles	(389,530)	-	-	-	-	(1,991)	(1,991)	(7,963)
Business Acquisition	(9,792,004)	-	-	-	-	-	-	-
Redemption of Short-Term Investments & Restricted Cash	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	(10,078,059)	(32,327)	-	-	-	(4,124)	(4,124)	(22,236)
Financing Activities								
Proceeds from Loan	1,239,282	2,155,218	1,475,198	668,429	2,198,883	-	4,342,510	-
Operating Line (Repayment)	(207,225)	329,755	-	-	-	(7,212)	(7,212)	(23,520)
Repayment of Loan	(2,430,498)	(1,077,017)	(95,592)	(35,881)	(141,392)	(109,521)	(382,386)	(416,615)
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	632,548	2,057,491	(116,733)	3,952,912	(440,136)
Effect of Exchange Rates on Cash	204,192	(59,278)	(117,452)	192,200	125,794	-	200,542	-
Net Increase in Cash	(3,048,781)	23,842	(330,251)	919,970	969,957	196,139	1,755,815	247,832
Beginning Cash	3,722,775	673,994	697,836	367,585	1,287,555	2,257,512	697,836	2,453,651
Ending Cash	673,994	697,836	367,585	1,287,555	2,257,512	2,453,651	2,453,651	2,701,483

Source: Company Reports and eResearch Corp.

APPENDIX C: GAMING COMPARABLES

Figure 8: Large Cap Gaming Comparables

Name	Jun 12 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	2019A	2020E	2018A	2019A	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Large Cap Gaming Comps																	
Activision Blizzard, Inc.	\$71.68	\$55,228	\$5,980	\$2,675	\$51,923	\$7,500	\$6,489	\$7,156	\$2,507	\$2,072	\$2,927	6.9x	8.0x	7.3x	20.7x	25.1x	17.7x
Capcom Co., Ltd.	\$36.39	\$3,885	\$612	\$69	\$3,343	\$881	\$932	\$756	\$193	\$241	\$269	3.8x	3.6x	4.4x	17.3x	13.9x	12.4x
Electronic Arts Inc.	\$121.97	\$35,211	\$5,735	\$1,220	\$30,696	\$5,150	\$4,950	\$5,181	\$1,701	\$1,401	\$1,939	6.0x	6.2x	5.9x	18.0x	21.9x	15.8x
GungHo Online Entertainment, Inc.	\$16.52	\$1,121	\$806	\$3	\$363	\$858	\$945	\$770	\$259	\$273	\$215	0.4x	0.4x	0.5x	1.4x	1.3x	1.7x
Konami Holdings Corporation	\$33.83	\$4,507	\$1,225	\$133	\$3,422	\$835	\$696	\$2,422	\$537	\$545	\$503	4.1x	4.9x	1.4x	6.4x	6.3x	6.8x
NetEase, Inc.	\$409.48	\$56,171	\$10,661	\$20,145	\$67,293	\$51,179	\$59,241	\$69,947	\$12,037	\$16,404	\$18,961	1.3x	1.1x	1.0x	5.6x	4.1x	3.5x
NEXON Co., Ltd.	\$22.00	\$19,422	\$4,824	\$101	\$14,795	\$2,365	\$2,316	\$2,687	\$1,058	\$1,051	\$1,234	6.3x	6.4x	5.5x	14.0x	14.1x	12.0x
Nintendo Co., Ltd.	\$444.00	\$52,891	\$11,340	\$0	\$41,553	\$9,839	\$11,189	\$11,839	\$1,739	\$2,820	\$3,538	4.2x	3.7x	3.5x	23.9x	14.7x	11.7x
Square Enix Holdings Co., Ltd.	\$50.79	\$6,059	\$1,151	\$0	\$4,910	\$2,334	\$2,526	\$2,371	\$412	\$448	\$446	2.1x	1.9x	2.1x	11.9x	11.0x	11.0x
Take-Two Interactive Software, Inc.	\$134.00	\$14,524	\$2,002	\$177	\$12,699	\$1,793	\$2,668	\$2,851	\$297	\$431	\$685	7.1x	4.8x	4.5x	42.8x	29.4x	18.5x
Tencent Holdings Limited	\$56.90	\$539,187	\$25,781	\$30,704	\$551,977	\$39,724	\$47,705	\$61,331	\$14,418	\$17,853	\$22,047	13.9x	11.6x	9.0x	38.3x	30.9x	25.0x
Ubisoft Entertainment SA	\$75.22	\$9,116	\$1,186	\$1,564	\$9,502	\$2,134	\$2,071	\$1,618	\$970	\$324	\$1,179	4.5x	4.6x	5.9x	9.8x	29.3x	8.1x
Zynga Inc.	\$9.11	\$8,713	\$1,261	\$719	\$8,171	\$907	\$1,322	\$1,752	\$56	\$6	\$399	9.0x	6.2x	4.7x	145.9x	1422.3x	20.5x
Mean												5.3x	4.9x	4.3x	10.5x	9.3x	10.9x
Median												4.5x	4.8x	4.5x	17.3x	14.7x	12.0x

Source: S&P Capital IQ; eResearch Corp.

Figure 9: Nordic Gaming Comparables

Name	Jun 12 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	2019A	2020E	2018A	2019A	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Nordic Gaming Comps																	
Embracer Group AB (publ)	\$12.50	\$4,212	\$268	\$208	\$4,154	\$479	\$598	\$556	\$62	\$121	\$284	8.7x	6.9x	7.5x	67.1x	34.4x	14.6x
G5 Entertainment AB (publ)	\$21.37	\$187	\$20	\$2	\$169	\$155	\$132	\$140	\$16	\$7	\$25	1.1x	1.3x	1.2x	10.4x	24.3x	6.9x
MAG Interactive AB (publ)	\$2.83	\$75	\$20	\$7	\$62	\$25	\$22	\$24	-\$1	-\$1	\$3	2.4x	2.8x	2.5x			21.1x
Paradox Interactive AB (publ)	\$20.08	\$2,121	\$67	\$24	\$2,078	\$121	\$133	\$188	\$53	\$55	\$111	17.2x	15.6x	11.0x	39.1x	37.8x	18.7x
Remedy Entertainment Oyj	\$22.31	\$269	\$22	\$3	\$251	\$23	\$42	\$42	\$1	\$8	\$13	11.1x	6.0x	5.9x	202.4x	30.3x	19.3x
Rovio Entertainment Oyj	\$6.10	\$457	\$140	\$12	\$328	\$316	\$334	\$304	\$35	\$21	\$50	1.0x	1.0x	1.1x	9.2x	15.6x	6.6x
Starbreeze AB (publ)	\$0.17	\$63	\$12	\$46	\$98	\$37	\$73	\$0	-\$12	-\$14	\$0	2.6x	1.3x				
Stillfront Group AB (publ)	\$79.10	\$2,577	\$50	\$241	\$2,770	\$154	\$212	\$469	\$39	\$56	\$192	18.0x	13.1x	5.9x	71.8x	49.3x	14.4x
Mean												7.8x	6.0x	5.0x	9.8x	15.6x	13.4x
Median												5.6x	4.4x	5.9x	53.1x	32.3x	14.6x

Source: S&P Capital IQ; eResearch Corp.

Figure 10: 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	2019A	2020E	2018A	2019A	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Kuuhubb Inc.	\$0.18	\$10	\$2	\$8	\$16	\$19	\$12	\$10	-\$6	-\$3	-\$4	0.9x	1.3x	1.6x			
Canadian Gaming Comps																	
Axion Ventures Inc.	\$0.09	\$19.8	\$1.0	\$14.5	\$32.8	\$8.9	\$0.0	\$26.2	-\$7.6	\$0.0	\$12.4	3.7x		1.3x			2.6x
Enthusiast Gaming Holdings Inc.	\$1.15	\$85	\$8.2	\$20.1	\$97.0	\$0.0	\$9.4	\$23.8	\$0.0	-\$13.7	-\$3.9		10.3x	4.1x			
ePlay Digital Inc.	\$0.03	\$1.8	\$0.1	\$0.9	\$2.6	\$0.2	\$0.0	\$0.0	-\$0.4	\$0.0	\$0.0	17.2x					
Fandom Sports Media Corp.	\$0.24	\$7.6	\$0.0	\$0.0	\$7.6	\$0.0	\$0.0	\$0.0	-\$3.0	\$0.0	\$0.0						
Global Daily Fantasy Sports Inc.	\$0.11	\$7.9	\$0.0	\$0.3	\$8.2	\$0.1	\$0.0	\$0.0	-\$3.2	-\$1.7	\$0.0	104.5x	209.1x				
Torque Esports Corp.	\$0.55	\$62	\$0.5	\$15.3	\$77.3	\$4.7	\$3.4	\$0.0	-\$9.6	-\$10.8	\$0.0	16.6x	23.0x				
Versus Systems Inc.	\$0.16	\$23	\$0.5	\$4.2	\$11.9	\$0.0	\$0.0	\$10.7	-\$6.6	\$0.0	\$6.1	10030.9x		1.1x			2.0x
Mean												12.5x	10.3x	2.1x			2.3x
Median												17.2x	23.0x	1.3x			2.3x

Source: S&P Capital IQ; eResearch Corp.

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