

REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$2.65	\$2.65
Revenue F2021E (M)	\$13.1	\$13.9
Adj. EBITDA F2021E (M)	-\$0.9	\$0.8
Adj. EPS F2021 (M)	-\$0.03	-\$0.02

MARKET DATA

Date:	Sep 22, 2021
Current Price (C\$):	\$1.35
Target Price (C\$):	\$2.65
52-Week Range:	\$1.22 / \$1.90
Shares O/S (M):	68.2
Mkt Cap (C\$M):	\$92.1
EV (C\$M):	\$79.8
Avg. Weekly Vol. (M):	0.01

Website: www.eqworks.com

FINANCIALS

	F2020A	F2021E	F2022E
Revenue (\$M)	\$10.4	\$13.1	\$22.2
EBITDA (\$M)	-\$1.3	-\$0.9	\$2.9
EPS (\$)	-\$0.05	-\$0.03	\$0.02
Cash (\$M)	\$3.2	\$9.6	\$10.7
Current Assets (\$M)	\$8.0	\$15.6	\$18.4
Net Cash (\$M)	\$1.1	\$9.5	\$10.6
Total Assets (\$M)	\$10.0	\$17.7	\$30.5
Debt (\$M)	\$2.1	\$0.1	\$0.1
Total Liabilities (\$M)	\$5.4	\$2.2	\$2.4
Fiscal Year End:	31-Dec		

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

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

EQ Inc. (TSXV:EQ)

Quarterly Results Improve as Revenue Increases 71% Q/Q and 74% Y/Y

Company Description:

EQ Inc. ("EQ" or "the Company") enables businesses to understand, predict, and influence customer behaviour. Using unique and third-party data sets, advanced analytics, artificial intelligence and machine learning, **EQ** creates actionable intelligence for businesses to attract, retain, and grow customers. The Company's proprietary SaaS platform mines insights from location and geospatial data, enabling businesses to close the loop between digital and real-world consumer actions. **EQ** is one of the largest providers of location-based data in Canada with over 1 petabyte of data.

Quarterly Highlights:

- **Quarterly Revenue Increases 71% Q/Q and 74% Y/Y**
 - Revenue for the three months ended June 30, 2021, was \$3.0 million, an increase of 74% compared to \$1.7 million in Q2/2020, and slightly higher than our estimate of \$2.98 million.
 - **EQ's** Data Solutions revenue, its fastest-growing segment, increased 85% from Q2/2020 to \$0.8 million in Q2/2021, and accounted for 27% of the overall quarterly revenue.
- **Paymi Acquisition Opens New Consumer Line of Business and Proprietary Data Set**
 - Paymi is a cloud-based rewards and marketing platform that processes consumer transactions in real-time to create aggregated, anonymized customer spending profiles. Paymi adds a new consumer line of business that should generate incremental revenue & also provides a new proprietary data set to the LOCUS platform.
- **Recent Sales Wins Support Stronger H2/2021**
 - In June, **EQ** reported that it entered into a data services contract with one of Canada's largest media companies to utilize the LOCUS platform and it also signed a \$1.8 million agreement with an unnamed media agency to use the LOCUS data platform to provide data solutions and insights to leverage online and offline audiences.

Financial Analysis & Valuation:

- We slightly reduced our 2021 and 2022 revenue estimates due to the continued impact of COVID-19 on advertising spending.
 - 2021E: Revenue \$13.1 million; EBITDA loss of \$0.9 million;
 - 2022E: Revenue \$22.2 million; EBITDA \$2.9 million.
- We estimate an equal-weighted price target of \$2.65 based on a DCF valuation (\$2.49/share) and Revenue Multiple valuation (\$2.86/share).
- **We are maintaining our Buy rating and one-year price target of \$2.65.**

All figures in CAD unless otherwise stated.

eResearch Corporation

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Review of Q2/2021 Financials

Revenue

EQ reported that its revenue continued to be negatively impacted by the COVID-19 pandemic that started in December 2019. During Q2/2021, the Company's media division had campaigns paused or reduced due to COVID-19 as governments enacted measures to reduce the risk of spreading the virus, which impacted retail operations of various businesses.

Revenue for the three months ended June 30, 2021, was \$3.0 million, an increase of 74% when compared to \$1.7 million in the same quarter a year ago, and slightly higher than our estimate of \$2.98 million ([Figure 1](#)). Revenue in Q2/2020 was a recent low point for **EQ** as its sales were impacted by the height of the COVID-19 pandemic and the government lockdowns that severely restricted the opening of retail locations.

The Company reported that the revenue growth in Q2/2021 was attributable to new data engagements and its focus on key verticals, including financial services, insurance, automotive, and retail. **EQ** experienced growth in both its data and advertising divisions as demand increased for services including data and analytics.

EQ's Data Solutions revenue, recently its fastest-growing segment, increased 85% from Q2/2020 to \$0.8 million in Q2/2021, and accounted for 27% of the overall quarterly revenue, up from 25% in Q2/2020.

Growing the LOCUS Data Revenue Segment

EQ reported that it continued to engage more clients on its LOCUS data platform, added more third-party data providers, and also launched new data products. We believe the growth in the LOCUS business will positively impact revenues in future quarters.

To bolster its data sets, in July 2021, **EQ** acquired **Integrated Rewards Inc.** and its Paymi application (see [Subsequent Events](#) section). Paymi is a cloud-based rewards and marketing platform that processes consumer transactions in real-time to create aggregated, anonymized customer spending profiles. This acquisition adds a new consumer line of business that should generate incremental revenue and also provides a new proprietary data set to the LOCUS data platform.

Earlier this year, the Company announced that its clients have agreed to spend a minimum of \$4 million on projects this year that use **EQ's** data analysis tools as well as its targeted media-buying platform.

In June 2021, **EQ** reported that it entered into a data services contract with one of Canada's largest media companies to utilize the LOCUS data platform to derive deeper insights from data analytics and intelligence from online and offline channels.

Also in June 2021, **EQ** announced the signing of a \$1.8 million agreement with a leading media agency holding company to use the LOCUS data platform to provide data solutions and insights to leverage online and offline audiences.

Figure 1: Financial Summary

(C\$) ('000)	2019A	Q120A	Q220A	Q320A	Q420A	2020A	Q121A	Q221A	Q221E	DIFF	Q321E	Q421E	2021E
Total Revenue	\$8,965	\$2,198	\$1,726	\$2,851	\$3,646	\$10,421	\$1,755	\$3,009	\$2,975	1%	\$4,200	\$5,000	\$13,964
Total Operating Expenses	\$4,926	\$1,443	\$1,459	\$1,908	\$2,897	\$7,707	\$1,725	\$1,923	\$1,708	13%	\$2,403	\$2,857	\$8,908
Operating Income	(\$976)	(\$503)	(\$826)	(\$494)	(\$1,161)	(\$2,984)	(\$907)	(\$661)	(\$72)	(\$589)	(\$93)	(\$107)	(\$1,768)
Adj. EBITDA	(\$647)	(\$449)	(\$594)	(\$111)	(\$127)	(\$1,282)	\$578	(\$453)	\$59	(\$513)	\$84	\$100	\$309
Diluted EPS	(\$0.04)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.05)	(\$0.02)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.03)
Cash	\$3,691	\$1,996	\$4,982	\$4,651	\$3,209	\$3,209	\$13,350	\$12,699	\$11,878		\$10,187	\$9,612	\$9,612
Debt	\$1,603	\$1,699	\$1,876	\$1,973	\$2,069	\$2,069	\$120	\$120	\$118		\$118	\$115	\$115

Source: Company Reports; eResearch Corp.

Segment Data

In Q2/2021, **EQ** generated \$2.97 million or 98.7% from clients in Canada, up from 92.7% in Q2/2020, with the U.S. generating only 1.3% of revenue in the current quarter ([Figure 2](#)).

EQ is now reporting revenue streams from two segments, Advertising Services and Fixed Fee Data Sales. In Q2/2021, the Advertising Services stream comprised 73.4% of revenue, similar to the 72.9% reported in 2020, but continues its downward trend from 83.9% of revenue in 2019. As Data revenue increases quarter-over-quarter and year-over-year, the Company continues to believe that this segment will become a larger percentage of overall revenue ([Figure 3](#)).

There is some customer concentration risk as the top three customers comprised 61% of **EQ's** revenue in Q2/2021, compared with 55% in the previous quarter and 65% in Q2/2020, but we believe the concentration rate should be abated as customer spending recovers once the government lockdowns are fully eased as vaccinations are available in Canada. According to recent data from [Our World in Data](#), the current vaccination rate in Canada is 70.4% of the eligible population compared with 55.4% in the United States and 66.7% in the United Kingdom.

Expenses

Publishing Costs are positively correlated to Sales. Publishing Costs increased to \$1.75 million in Q2/2021, from \$0.94 million in the previous quarter and \$1.09 million in Q2/2020. Gross Margin improved year-over-year to 42% in the quarter from 37% in Q2/2020; the Company attributed the higher Gross Margin to a larger percentage of data sales that have a better margin.

Even with the Company's response to the pandemic and its efforts to reduce costs over the past year, Total Operating Expenses were \$1.92 million in Q2/2021, higher than \$1.73 million in Q1/2021 and \$1.46 million in Q2/2020. The higher expenses were driven by an increase in Employee Compensation & Benefits, and Other Operating Expenses that primarily consist of office and administration expenses.

The increase in Employee Compensation & Benefits was primarily due to the Company's growth, recent acquisitions, and the development of its data services platform, which has increased technology investments as well as the number of employees.

EBITDA

Adjusted EBITDA loss in Q2/2021 was \$0.5 million compared to a loss of \$0.6 million in Q2/2020. Margin improvements came from a larger portion of data sales (higher margin) and tight expense controls. We estimate **EQ** to be EBITDA positive starting in 2022 ([Figure 4](#)).

Figure 2: Revenue Segmentation Chart

	Mar 31/19 Q1/19A	Jun 30/19 Q2/19A	Sep 30/19 Q3/19A	Dec 31/19 Q4/19A	Dec 31/19 2019A	Mar 31/20 Q1/20A	Jun 30/20 Q2/20A	Sep 30/20 Q3/20A	Dec 31/20 Q4/19A	Dec 31/20 2020A	Mar 31/21 Q1/21A	Jun 30/21 Q2/21A
Geographical												
Canada	\$1,072	\$1,639	\$2,224	\$2,578	\$7,513	\$2,153	\$1,600	\$2,655	\$3,511	\$9,919	\$1,723	\$2,970
United States	\$332	\$568	\$255	\$290	\$1,445	\$45	\$126	\$196	\$135	\$502	\$32	\$39
Outside of North America	\$2	\$0	\$0	\$5	\$7	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total ('000)	\$1,406	\$2,207	\$2,479	\$2,873	\$8,965	\$2,198	\$1,726	\$2,851	\$3,646	\$10,421	\$1,755	\$3,009
Revenue Streams												
Advertising Services	\$1,207	\$1,861	\$2,052	\$2,398	\$7,518	\$1,769	\$1,278	\$2,096	\$2,453	\$7,596	\$1,275	\$2,210
Fixed Fee Data Sales	\$79	\$129	\$236	466 *	1,308 *	429 *	\$103	\$335	975 *	2,546 *	480 *	799 *
CPM Data Sales	\$58	\$184	\$156	N/A	N/A	\$0	\$330	\$374	N/A	N/A	\$0	\$0
Other Services	\$62	\$33	\$35	\$9	\$139	\$0	\$15	\$46	\$218	\$279	\$0	\$0
Total ('000)	\$1,406	\$2,207	\$2,479	\$2,873	\$8,965	\$2,198	\$1,726	\$2,851	\$3,646	\$10,421	\$1,755	\$3,009
Customer Concentration												
Top Customer 1	23%	28%	37%	n/a	27%	23%	28%	21%	n/a	23%	24%	29%
Top Customer 2	21%	26%	20%	n/a	13%	16%	20%	12%	n/a	14%	21%	17%
Top Customer 3	11%	0%	0%	n/a	11%	12%	17%	12%	n/a	0%	10%	15%
Total	55%	54%	57%		51%	51%	65%	45%		37%	55%	61%

*Includes CPM

Source: Company Reports; eResearch Corp.

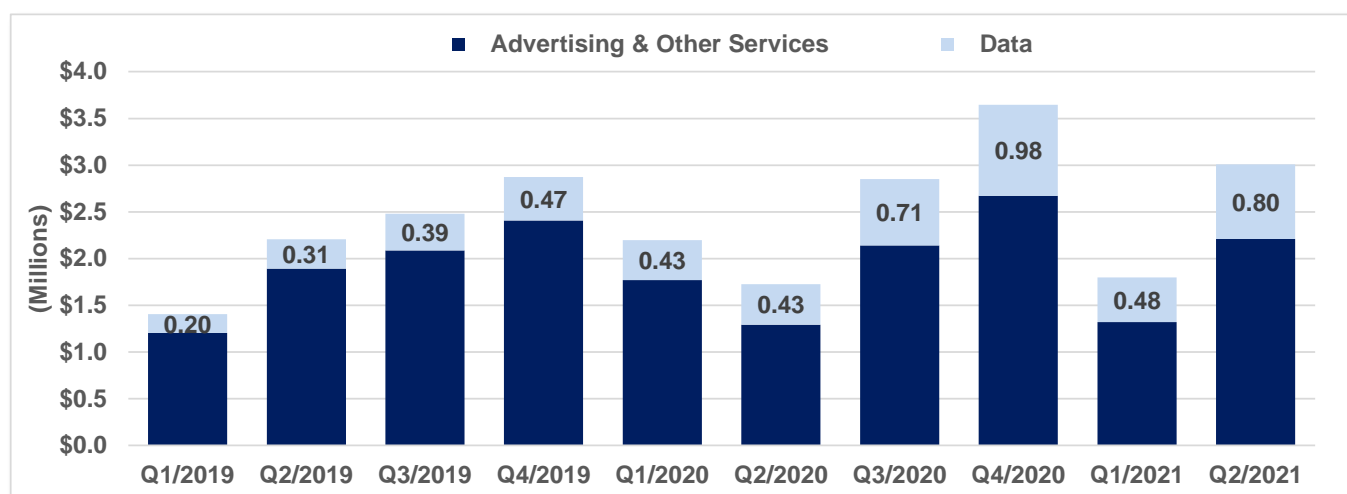
Cash and Debt

As at June 30, 2021, **EQ** had \$12.7 million in cash compared to \$13.4 million in the previous quarter. Below we highlight the major changes to the Cash and Debt positions in the quarter.

- Revolving Credit Facility
 - In 2020, the Company closed a new \$1.6 million revolving credit facility, which included a credit card facility, and is secured by accounts receivable. As at June 30, 2021, there was no outstanding balance on the loan portion and \$0.06 million outstanding under the credit card facility.
- Canada Emergency Business Loan ("CEBA")
 - **EQ** has also tapped into CEBA provided by the Government of Canada that provided interest-free loans to businesses to help cover operating costs during COVID-19. As of June 30, 2021, the Company has received \$0.12 million from the CEBA program. The loan is interest-free until December 31, 2022, when any remaining balance would be converted to a three-year term loan at an annual interest rate of 5%.

EQ continues to believe that based on its current business outlook and strong cash balance, it is well-positioned to outlast the pandemic, enhance and develop new data services, and complete strategic acquisitions during the remainder of the year ([Figure 5](#)).

Figure 3: Quarterly Revenue by Segment

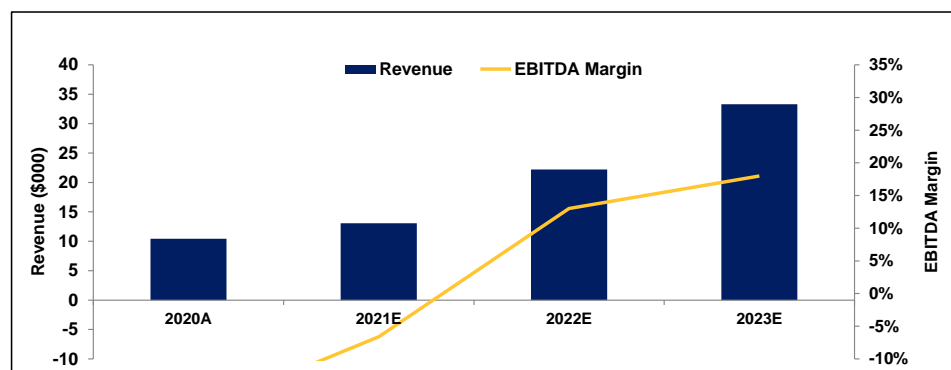


Source: Company Reports; eResearch Corp.

Events in the Quarter

- In June 2021, **EQ** reported that it signed a Data Services contract with one of Canada's largest integrated media companies that remains unnamed. The engagement will span across multiple print, online and mobile platforms, and utilize the Company's LOCUS solution for audience analysis, attribution reporting, customer classifications, and enriching existing data sets.
- Also in June 2021, the Company announced that it signed a one-year, \$1.8 million agreement with an unnamed media agency for services and fees related to platform licensing, data usage, insights, analytics, predictive modelling, and execution.

Figure 4: Revenue and EBITDA Margins



Source: Company Reports; eResearch Corp.

Subsequent Events after June 30, 2021

- On July 5, 2021, **EQ** closed the acquisition of **Integrated Rewards Inc.** and its Paymi application for \$2.5 million.
 - Paymi is a cloud-based rewards and marketing platform that enables consumers to receive cash back rewards for credit and debit card transactions and allows merchant partners to learn more about their customers to help improve sales and more effectively target marketing.
 - Paymi processes transactions in real-time to create aggregated, anonymized customer spending profiles to better understand consumer spending patterns and target the most desired customers.
 - According to **EQ**, "Paymi has secured over 350,000 linked credit and debit cards to date, processed over \$80 million of transactions through its platform, and over \$10 billion in customer spend and has an existing contract with one of Canada's tier-1 banks."
 - Paymi** adds a new consumer line of business that should generate incremental revenue and also provides a new proprietary data set to the LOCUS data platform.
- On July 21, 2021, **EQ** announced the launch of LOCUS Commute that allows retailers, insurance providers, and out-of-home networks to understand the movement patterns of Canadians. With this knowledge, LOCUS Commute enables businesses to interact better with their customers to lower acquisition costs and reduce churn.
- Earlier this month, **EQ** reported that it partnered with **SafeGraph**, a leading provider of Points of Interest and building footprint data to create Canada's largest geospatial data set that will benefit **EQ's** clients with more robust data around business listings and add additional data points to **EQ's** proprietary LOCUS data platform.

Guidance and Growth Priorities

According to the Company's Q2/2021 MD&A report, **EQ** expected that sales in H1/2021 would be impacted as several customers were forced to reduce advertising spending early in the year due to the pandemic. However, as the Company exited the second quarter and governments eased restrictions, EQ witnessed businesses returning to more normal levels of operation.

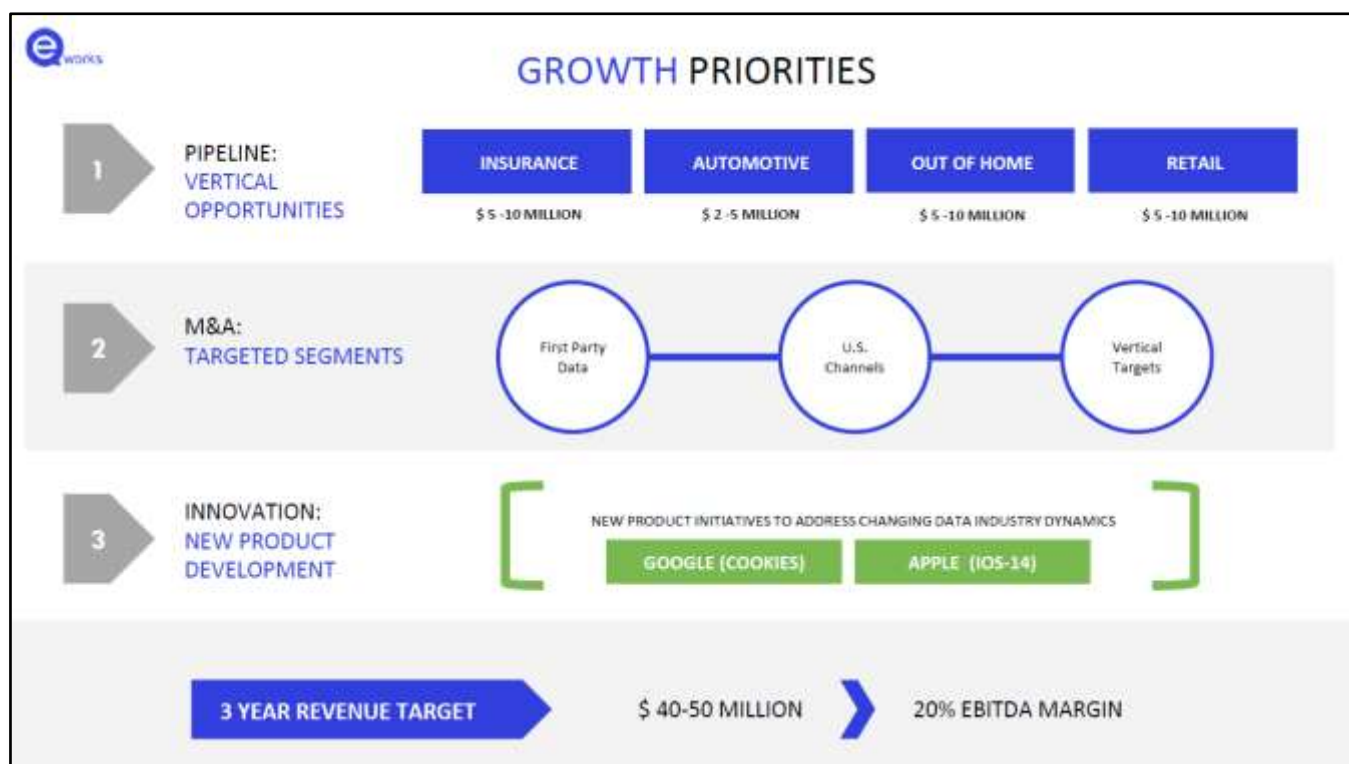
As mentioned in a [previous report](#), when government-mandated shopping restrictions are completely lifted, EQ's technology will play an important role for businesses to understand

consumer behaviour in a post-COVID-19 world. EQ offers a unique value proposition in the market as it gives customers the ability to understand what consumers are looking for and then presents them with the most relevant content and advertising.

EQ continues to focus on its growth priorities ([Figure 5](#)), which include:

1. Targeting key verticals, including financial services, insurance, automotive and retail;
2. M&A activity: In the past three years, **EQ** has completed three acquisitions: **Tapped Networks**, certain assets of **Curate Mobile Ltd.**, including **Juice Mobile**, and in July 2021, **Integrated Rewards Inc.** and its consumer facing, marketing rewards application Paymi.com. As **EQ** continues with its U.S. expansion, an acquisition of a U.S.-based company could speed up revenue growth and client acquisition;
3. Organic Growth Strategy: **EQ** has demonstrated the ability to grow revenue organically through product development.

Figure 5: EQ Growth Priorities



Source: Company Presentation (April 2021)

VALUATION

Due to a slower recovery from the impact of COVID-19, we are reducing our Q3/2021 revenue estimate to \$3.3 million from \$4.2 million but maintaining our Q4/2021 revenue estimate at \$5.0 million. Overall, our 2021 revenue estimate decreases to \$13.1 million from \$13.9 million, and we are also slightly decreasing our 2022 revenue estimate to \$22.2 million from \$23.2 million, and decreasing our 2023 revenue estimate to \$33.3 million from \$34.8 million.

Figure 6 highlights the revenue growth and gross margin assumptions we use in our model to reach our stock price target estimates.

Figure 6: Model Assumptions

METRIC	RATE				
	2020A	2021E	2022E	2023E	2024E-2026E
Revenue Growth	16%	25%	70%	50%	25%
Gross Margins	45%	51%	56%	57%	~60%
EBITDA Margins	-	-	13%	18%	20%+

Source: eResearch Corp.

For the balance of 2021 and future years, we assume that there is the potential for **EQ** to significantly increase revenue by shifting some sales & marketing efforts to the U.S. market. The U.S. is the largest advertising market in the world and, according to MAGNA, is expected to grow by US\$34 billion in 2021 to reach US\$259 billion. Canada ranked tenth in advertising expenditures and spends about 20 times less than the U.S. The deal with the U.S. publisher announced in November 2020 is a good indicator of the Company's future potential in the U.S. market.

Target Price Calculation

Method 1: Discounted Cash Flow ([see Figure 7](#))

We moved the model forward one quarter and maintained the Terminal EBITDA multiple in 2024 at 20x to keep it in-line with comparable companies (see [Appendix C](#)). Using a Weighted Average Cost of Capital (WACC) of 10%, the one-year target share price estimate is \$2.49.

Method 2: Revenue Multiple

We moved the model forward one quarter to calculate a one-year forward Revenue estimate of \$20.1 million and maintained the revenue multiple at 9.0x to calculate a one-year target share price of \$2.86.

The equal-weighted price per share is \$2.68 and we are maintaining our one-year price target of \$2.65.

We are maintaining our Buy rating and one-year price target of \$2.65.

Figure 7: Target Price (1 Year) Calculation

			TARGET
Method 1: DCF	WACC:10%	Terminal Multiple:20x EBITDA	\$2.49
Method 2: Revenue Multiple	9.0x	1 Year Fwd Revenue (Est.): \$20.7M	\$2.86
Equal-Weighted Valuation (1 year)			\$2.68
Target Price (1 year)			\$2.65

Source: eResearch Corp.

Figure 8: DCF Analysis

EQ Inc. FYE (December 31)							
DCF Analysis (C\$)	2019A	2020A	2021E	2022E	2023E	2024E	2025E
Revenue (\$)	9.0	10.4	13.1	22.2	33.3	41.6	52.0
Revenue Growth	52.8%	16.2%	25.4%	69.9%	50.0%	25.0%	25.0%
EBITDA (\$)	(0.6)	(1.9)	(0.9)	2.9	6.0	8.3	12.0
EBITDA Growth	n/a	n/a	n/a	n/a	107.7%	38.9%	43.8%
EBITDA Margin	-7.2%	-18.6%	-6.6%	13.0%	18.0%	20.0%	23.0%
Depreciation and Amortization	0.2	0.4	0.2	0.1	0.1	0.1	0.1
EBIT (\$)	(0.8)	(2.3)	(1.1)	2.8	5.9	8.3	11.9
NOPAT	(1.0)	(3.0)	(1.7)	1.8	4.3	6.1	9.1
Plus Amortization (\$)	0.2	0.4	0.2	0.1	0.1	0.1	0.1
Less Capital Expenditures (\$)	(0.4)	(0.6)	(0.4)	(0.1)	(0.1)	(0.1)	(0.1)
Capital Intensity	4.5%	6.2%	2.7%	0.3%	0.2%	0.1%	0.1%
Net Working Capital Changes	(0.4)	(1.5)	(2.5)	(1.6)	(3.0)	(2.2)	(2.9)
EPS (Continuing)	(0.04)	(0.05)	(0.03)	0.02	0.06	0.08	0.12
Unlevered Free Cash Flow (\$)	(1.6)	(4.8)	(4.3)	0.3	1.2	3.9	6.2
PV of Unlevered FCFs (\$)	(1.9)	(5.1)	(4.2)	0.2	1.0	2.8	4.1
Valuation Assumptions:							
Discount Rate	10.0%						
Terminal Multiple	20.0x						
Valuation Analysis:	Current	1-Yr Target	2-Yr Target				
Total PV of FCFs (\$M)	-1.1	4.4	9.9				
Terminal Value (\$M)	239.3	239.3	239.3				
PV of Terminal Value (\$M)	159.2	175.1	192.7				
Net (debt) cash position	2.7	10.3	12.2				
Total Value (\$M)	160.7	189.8	214.8				
DCF Value/Share (C\$)	C\$2.11	C\$2.49	C\$2.82				
DCF Value/Share (US\$)	US\$1.65	US\$1.95	US\$2.21				
FD Shares O/S (M)*	76.2	76.2	76.2				
<i>*Includes \$10 million financing in 2022 for Acquisitions</i>							

Source: Company Reports; eResearch Corp.

Figure 9: Sensitivity Chart – Discount Rate and Terminal EV/EBITDA Multiple

		Terminal EV/EBITDA Multiplier						
		17.00	18.00	19.00	20.00	21.00	22.00	23.00
Discount Rate	6.0%	2.41	2.54	2.67	2.80	2.93	3.06	3.19
	8.0%	2.27	2.40	2.52	2.64	2.76	2.88	3.01
	10.0%	2.15	2.26	2.38	2.49	2.61	2.72	2.84
	12.0%	2.03	2.14	2.24	2.35	2.46	2.57	2.68
	14.0%	1.92	2.02	2.12	2.22	2.33	2.43	2.53
	16.0%	1.82	1.91	2.01	2.11	2.20	2.30	2.40

Source: Company Reports; eResearch Corp.

Appendix A: Investment Thesis – Why Invest in EQ

Leader and Innovator in Location-Based Analytics and Solutions

EQ is a leader in location-based analytics linking activity in the online world to the physical world to provide actionable insights for businesses and advertisers. The Company leverages strong relationships with its clients, publishing partners, and data providers, yielding insights into millions of devices and locations for audience creation, tracking, and verification. **EQ** has over 1 petabyte of data, growing at 7 terabytes daily and, to augment its data, has secured licencing agreements with a number of third-party data providers, including **Opta**, **Mastercard**, **Statistics Canada**, and **TMG Analytics**. **EQ has also been recognized as an innovator by its industry peers.** The Company was nominated in the Best Location-Based Platform category at the 2016 Digiday Signal Awards, and won in the category of Best Publisher Innovation at the Digital Trading Awards in 2017.

This month, **EQ** announced that it partnered with **SafeGraph**, a leading provider of Points of Interest and building footprint data to create Canada's largest geospatial data set that will benefit **EQ's** clients with more robust data around business listings.

Digital Advertising and Location-Based Data – Large and Growing Market

In 2020, **eMarketer** expected companies in the U.S. to spend over US\$150 billion on digital ads versus US\$107 billion on traditional ads, with two-thirds of the ads targeting mobile devices. By 2023, **eMarketer** expects that digital ads will capture over 60% of all ad spending and reach over US\$517 billion.

Dominant Player in Canada with Room to Grow in the U.S. Market

EQ is one of the largest providers of location-based data in Canada. Currently, **EQ collects over 7 terabytes of unique first-party location-based data daily** and has already identified more than 1,000 proprietary Custom Audience Profiles for the Canadian market. The Company currently has 3 million locations mapped, with over 18 million unique individuals reached in Canada, and processes over 15 billion data points daily.

In 2020, the U.S. accounted for less than 5% of revenue. The U.S. is the largest ad market in the world (Canada is #10) and, according to MAGNA, is expected to grow by US\$34 billion in 2021 to reach US\$259 billion. **By shifting some sales & marketing efforts to the U.S. market, there is the potential for EQ to significantly increase revenue.**

Organic and Inorganic Growth Strategy

EQ has demonstrated the ability to grow revenue organically through product development but has made tactical business acquisitions when the Company saw a need to fill a technical or skills gap. In the past three years, **EQ** has completed three acquisitions: Tapped Networks, certain assets of Curate Mobile Ltd., including Juice Mobile, and, in July 2021, **Integrated Rewards Inc.** and its consumer facing, marketing rewards application **Paymi.com**. As **EQ** continues with its U.S. expansion, an acquisition of a U.S.-based company could speed up revenue growth and client acquisition.

Experienced Management Team

EQ has established a highly experienced team of professionals in the fields of digital strategy, online advertising & marketing, finance, product strategy, and mergers & acquisitions. **EQ's** CEO Geoffrey Rotstein has over 20 years of online advertising and marketing experience and has guided the Company through its transition to become a dominant player in the location-based online advertising industry in Canada.

Appendix B: Financial Statements

Figure 10: Income Statement

EQ Inc.									
Income Statement - FYE (December 31)	2019A	2020A	Q121A	Q221A	Q321E	Q421E	2021E	2022E	2023E
Total Revenue	8,965	10,421	1,755	3,009	3,300	5,000	13,064	22,200	33,300
Total Cost of Sales	5,015	5,698	937	1,747	1,485	2,250	6,419	9,768	14,319
Gross Profit	3,950	4,723	818	1,262	1,815	2,750	6,645	12,432	18,981
General and Administrative	3,026	3,944	938	1,022	1,254	1,900	5,114	6,660	8,991
Other operating costs	1,726	2,061	458	693	495	750	2,396	2,886	3,996
Stock Based Compensation	-	678	236	121	122	185	664	821	1,232
Depreciation of Property & Equipment	130	141	35	33	9	9	86	30	23
Total Operating Expenses	4,926	7,707	1,725	1,923	1,893	2,857	8,397	10,449	14,294
Operating Income	(976)	(2,984)	(907)	(661)	(78)	(107)	(1,752)	1,983	4,688
Total Other Income	(938)	(443)	(59)	(51)	(0)	3	(108)	9	17
EBT	(1,914)	(3,427)	(966)	(712)	(78)	(104)	(1,860)	1,993	4,705
Income Taxes	-	-	-	-	8	10	18	(199)	(470)
Net Income (Loss)	(1,914)	(3,427)	(966)	(712)	(70)	(93)	(1,842)	1,794	4,234
EPS									
Basic EPS	(0.04)	(0.06)	(0.02)	(0.01)	(0.00)	(0.00)	(0.03)	0.02	0.06
Diluted EPS	(0.04)	(0.05)	(0.02)	(0.01)	(0.00)	(0.00)	(0.03)	0.02	0.06
Shares Outstanding									
Shares Outstanding, Basic (Weighted)	48,331	58,912	63,873	68,222	68,229	68,229	68,229	73,229	73,229
Shares Outstanding, Diluted (Weighted)	48,331	63,189	63,873	68,222	71,451	71,451	71,451	76,451	76,451

Source: Company Reports; eResearch Corp.

Figure 11: Balance Sheet

EQ Inc. Balance Sheet - FYE (December 31)	2019A	2020A	Q121A	Q221A	Q321E	Q421E	2021E	2022E	2023E
Current Assets									
Cash	3,691	3,209	13,350	12,699	10,920	9,594	9,594	10,666	13,102
Account Receivables	2,060	4,572	2,639	3,525	3,614	5,476	5,476	7,118	10,678
Investment Tax Credits Receivable	0	0	0	0	178	270	270	343	503
Prepaid Expenses & Other Assets	197	197	213	158	163	245	245	265	365
Total Current Assets	5,948	7,978	16,202	16,382	14,875	15,584	15,584	18,393	24,648
Non-Current Assets									
Property and Equipment	102	102	89	90	85	79	79	61	47
Intangible Assets	537	1,096	1,188	1,284	1,284	1,284	1,284	1,284	1,284
Goodwill	535	732	732	732	732	732	732	732	732
Other	146	76	58	41	41	41	41	10,041	10,041
Total Assets	7,268	9,984	18,269	18,529	17,017	17,721	17,721	30,511	36,752
Current Liabilities									
Accounts Payables	1,705	2,908	1,747	2,618	1,115	1,677	1,677	1,815	2,497
Lease Liability	70	132	156	161	102	155	155	202	302
Short-Term Debt	0	1,989	0	0	10	18	18	43	56
Total Current Liabilities	2,055	5,337	2,192	3,032	1,480	2,103	2,103	2,312	3,108
Non-Current Liabilities									
Term Loan	1,603	80	120	120	108	97	97	64	42
Provision/Loan Payable/Benefits Payable	0	0	0	0	0	0	0	0	0
Total Liabilities	3,746	5,435	2,312	3,152	1,588	2,201	2,201	2,376	3,150
Shareholders Equity									
Capital Stock	3,522	4,549	15,957	15,377	15,377	15,377	15,377	25,377	25,377
Contributed Surplus	0	0	0	0	122	307	307	1,129	2,361
Deficit	-	-	-	-	(70)	(164)	(164)	1,630	5,864
Total Shareholders Equity	3,522	4,549	15,957	15,377	15,429	15,520	15,520	28,135	33,602
Total Liabilities & Shareholders Equity	7,268	9,984	18,269	18,529	17,017	17,721	17,721	30,511	36,752

Source: Company Reports; eResearch Corp.

Figure 12: Cash Flow Statement

EQ Inc.	2019A	2020A	Q121A	Q221A	Q321E	Q421E	2021E	2022E	2023E
Cash Flow Statement - FYE (December 31)									
Cash Provided By Operating Activities									
Net Income (Loss)	(1,914)	(3,427)	(966)	(712)	(70)	(93)	(1,842)	1,794	4,234
Amortization of Intangibles	44	228	58	54	13	13	138	51	51
Depreciation of Property & Equipment	130	141	35	33	9	9	86	30	23
Stock Based Compensation Expense	155	678	236	121	122	185	664	821	1,232
Changes in Non-Cash Working Capital									
Account & Other Receivables	107	(2,512)	1,933	(886)	(89)	(1,862)	(904)	(1,643)	(3,559)
Investment/Income Tax Credits	-	-	-	-	(178)	(92)	(270)	(73)	(160)
Prepaid Expenses & Other Current Assets	(73)	-	(16)	(274)	(5)	(82)	(377)	(20)	(100)
Accounts Payable & Other Payables	(127)	1,096	(1,161)	1,142	(1,503)	562	(960)	138	682
Deferred (Unbilled) Revenue	(324)	(76)	-	-	(59)	53	(6)	47	101
Total Cash Provided By Operating Activities	(1,044)	(2,745)	157	(438)	(1,760)	(1,308)	(3,349)	1,145	2,505
Investing Activities									
Purchase of Property & Equipment	(30)	(68)	(4)	(17)	(4)	(3)	(28)	(12)	(9)
Purchase of Intangibles	(375)	(575)	(150)	(150)	(13)	(13)	(326)	(51)	(51)
Business Acquisition	169	(941)	-	-	-	-	-	(10,000)	-
Redemption of Short-Term Investments & Restricted Cash	(744)	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	(978)	(1,576)	(150)	(195)	(16)	(16)	(378)	(10,063)	(60)
Financing Activities									
Proceeds from Loan	183	80	40	-	-	-	40	-	-
Operating Line (Repayment)	-	-	(293)	-	-	-	(293)	-	-
Repayment of Loan	(430)	(21)	(1,740)	(24)	(2)	(2)	(1,769)	(9)	(8)
Issue/Repurchase of Equity	5,112	-	10,746	(5)	-	-	10,741	10,000	-
Proceeds from exercise of Stock Options and Warrants	283	3,776	1,392	16	-	-	1,408	-	-
Total Cash From Financing Activities	5,148	3,835	10,145	(13)	(2)	(2)	10,127	9,991	(8)
Effect of Exchange Rates on Cash	(19)	4	(11)	(5)	-	-	(16)	-	-
Net Increase in Cash	3,107	(482)	10,141	(651)	(1,779)	(1,326)	6,385	1,073	2,436
Beginning Cash	584	3,691	3,209	13,350	12,699	10,920	3,209	9,594	10,666
Ending Cash	3,691	3,209	13,350	12,699	10,920	9,594	9,594	10,666	13,102

Source: Company Reports; eResearch Corp

Appendix C: AdTech & Business Intelligence Comparables

Figure 13: U.S. and Canadian Comparables

Name	Ticker	Sep 22	Mkt Cap	EV	REVENUE (US\$ M)			EBITDA (US\$ M)			EV/Revenue			EV/EBITDA		
		Close (US\$)	(US\$ M)	(US\$ M)	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
US Comps - Large Cap																
Accenture plc	NYSE:ACN	\$334.66	\$212,220	\$206,205	\$44,327	\$50,534	\$56,050	\$8,291	\$9,974	\$11,311	4.7x	4.1x	3.7x	24.9x	20.7x	18.2x
Adobe Inc.	NasdaqGS:ADBE	\$626.08	\$298,265	\$296,794	\$12,868	\$15,756	\$18,136	\$6,177	\$7,936	\$9,047	23.1x	18.8x	16.4x	48.0x	37.4x	32.8x
Alphabet Inc.	Nasdaq:GOOG.L	\$2,805.67	\$1,870,694	\$1,762,932	\$182,527	\$250,487	\$292,237	\$63,632	\$100,643	\$114,121	9.7x	7.0x	6.0x	27.7x	17.5x	15.4x
Facebook, Inc.	Nasdaq:FB	\$343.21	\$967,662	\$916,145	\$85,965	\$119,526	\$142,444	\$44,147	\$65,922	\$76,435	10.7x	7.7x	6.4x	20.8x	13.9x	12.0x
LiveRamp Holdings, Inc.	NYSE:RAMP	\$47.12	\$3,202	\$2,665	\$381	\$440	\$603	\$0	\$23	\$47	7.0x	6.1x	4.4x	9487.9x	117.0x	56.5x
The Trade Desk, Inc.	Nasdaq:TTD	\$75.64	\$36,207	\$35,795	\$836	\$1,173	\$1,500	\$250	\$455	\$571	42.8x	30.5x	23.9x	143.4x	78.7x	62.6x
Verizon Communications Inc.	NYSE:VZ	\$54.06	\$223,815	\$400,413	\$128,292	\$135,129	\$135,560	\$46,786	\$48,517	\$49,810	3.1x	3.0x	3.0x	8.6x	8.3x	8.0x
US Comps - Mid Cap																
Criteo S.A.	NasdaqGS:CRTO	\$35.08	\$2,140	\$1,776	\$2,073	\$898	\$961	\$232	\$293	\$313	0.9x	2.0x	1.8x	7.6x	6.1x	5.7x
Digital Turbine, Inc.	NasdaqCM:APPS	\$70.41	\$6,766	\$6,981	\$139	\$311	\$1,440	\$54	\$163	\$251	50.3x	22.5x	4.8x	128.7x	42.8x	27.8x
Fluent, Inc.	Nasdaq:FLNT	\$2.45	\$192	\$225	\$311	\$315	\$343	\$41	\$18	\$33	0.7x	0.7x	0.7x	5.5x	12.4x	6.8x
Marchex, Inc.	Nasdaq:MCHX	\$3.03	\$122	\$104	\$51	\$54	\$57	-\$10	-\$5	\$2	2.0x	1.9x	1.8x			57.7x
QuinStreet, Inc.	Nasdaq:QNST	\$18.14	\$982	\$886	\$490	\$570	\$672	\$38	\$56	\$68	1.8x	1.6x	1.3x	23.0x	15.9x	13.0x
Magnite, Inc.	NASDAQ:MGNI	\$30.71	\$4,031	\$4,615	\$222	\$420	\$538	\$39	\$130	\$174	20.8x	11.0x	8.6x	117.1x	35.5x	26.5x
TechTarget, Inc.	Nasdaq:TTGT	\$87.28	\$2,458	\$2,571	\$148	\$262	\$302	\$49	\$98	\$114	17.3x	9.8x	8.5x	52.3x	26.2x	22.5x
US Comps - Small Cap																
Harte Hanks, Inc.	OTCPK:HRTH	\$7.23	\$50	\$77	\$177	\$181	\$177	\$4	\$13	\$15	0.4x	0.4x	0.4x	20.7x	5.9x	5.1x
Inuvo, Inc.	NYSEAM:INUV	\$0.69	\$82	\$80	\$45	\$57	\$75	-\$3	-\$2	\$4	1.8x	1.4x	1.1x			20.3x
Marin Software Incorporated	Nasdaq:MRIN	\$9.21	\$142	\$137	\$30	\$0	\$0	\$0	\$0	\$0	4.6x					
Mobiquity Technologies, Inc.	OTCPK:MOBQ	\$7.10	\$0	\$10	\$6	\$0	\$0	\$0	\$0	\$0	1.6x					
SRAX, Inc.	Nasdaq:SRAX	\$5.48	\$137	\$118	\$9	\$32	\$44	-\$8	\$1	\$11	13.6x	3.7x	2.7x		109.2x	10.8x
Mean (If EV/Revenue <20; EV/EBITDA <100)											5.3x	5.3x	4.5x	23.9x	24.7x	23.6x
Median											4.7x	4.1x	3.7x	26.3x	20.7x	18.2x

Name	Ticker	Sep 22	Mkt Cap	EV	REVENUE (C\$ M)			EBITDA (C\$ M)			EV/Revenue			EV/EBITDA		
		Close (C\$)	(C\$ M)	(C\$ M)	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E	2020A	2021E	2022E
EQ Inc.	TSXV:EQ	\$1.35	\$92	\$80	\$10.4	\$13.1	\$22.2	-\$1.3	-\$0.9	\$2.9	7.7x	6.1x	3.6x	27.6x		
Canadian Comps																
AcuityAds Holdings Inc.	TSX:AT	\$9.48	\$573.1	\$492.8	\$104.9	\$133.6	\$162.6	\$14.1	\$23.6	\$29.9	4.7x	3.7x	3.0x	35.0x	20.9x	16.5x
Adcore Inc.	TSX:ADCO	\$1.15	\$73.0	\$61.9	\$17.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	3.6x					
Aquarius AI Inc.	CNSX:AQUA	\$0.09	\$7.2	\$7.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0						
Engagement Labs Inc.	TSXV:EL	\$0.05	\$2.1	\$2.0	\$2.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	0.8x					
Killi Ltd.	TSXV:MYID	\$0.37	\$24.9	\$21.3	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	119.9x					
Fobi Ai Inc.	TSXV:FOBI	\$3.14	\$421.6	\$419.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0						
YANGAROO Inc.	TSXV:YOO	\$0.19	\$11.2	\$13.9	\$7.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	1.7x					
Yellow Pages Limited	TSX:Y	\$13.82	\$382.9	\$348.8	\$333.5	\$282.6	\$241.7	\$129.5	\$98.2	\$82.4	1.0x	1.2x	1.4x	2.7x	3.6x	4.2x
Zoomd Technologies Ltd.	TSXV:ZOMD	\$0.44	\$41.9	\$42.1	\$25.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	1.7x					
Mean (If EV/Revenue <20; EV/EBITDA <100)											2.3x	2.5x	2.2x	18.9x	12.2x	10.4x
Median											1.7x	2.5x	2.2x	18.9x	12.2x	10.4x

Source: S&P Capital IQ; eResearch Corp.

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