

REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$1.80	\$1.90
Revenue F2022E (M)	\$11.3	\$16.2
Adj. EBITDA F2022E (M)	-\$4.9	-\$2.9
Adj. EPS F2022 (M)	-\$0.09	-\$0.05

MARKET DATA

Date:	Dec 3, 2022
Current Price (C\$):	\$1.14
Target Price (C\$):	\$1.80
52-Week Range:	\$0.99 / \$1.30
Shares O/S (M):	69.4
Mkt Cap (C\$M):	\$79.2
EV (C\$M):	\$74.8
Avg. Weekly Vol. (M):	0.06

Website: www.eqworks.com

FINANCIALS

	2021A	2022E	2023E
Revenue (\$M)	\$12.1	\$11.3	\$17.0
EBITDA (\$M)	-\$3.3	-\$4.9	-\$0.3
EPS	-\$0.09	-\$0.09	-\$0.02
Cash (\$M)	\$8.8	\$1.7	\$0.0
Current Assets (\$M)	\$13.8	\$5.0	\$4.1
Net Cash (\$M)	\$7.6	\$0.6	-\$0.8
Total Assets (\$M)	\$19.1	\$10.1	\$8.9
Debt (\$M)	\$0.1	\$0.1	\$0.1
Total Liabilities (\$M)	\$7.6	\$4.4	\$4.2
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)

Challenging Quarter Overshadows Recently Launched Retail Insights Product

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 Software-as-a-Service (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 Declines 32% Y/Y and 35% Q/Q**
 - **EQ** reported Revenue of \$2.1 million in Q3/2022, down from \$3.1 million in Q3/2021 and \$3.2 million in the previous quarter, and lower than our estimate of \$3.5 million.
 - The revenue decline was primarily due to clients delaying certain advertising campaigns into 2023, primarily by clients in the automotive industry.
 - However, **EQ** reported that Q4 bookings should be ~50% higher than Q3 and also reported two major contract extensions, a large client renewal, and eight new clients that should positively impact revenue in Q4 and 2023. It expects to be profitable by H2/2023.
- **New Retail Insights Product ("Clearlake") Launched in Beta**
 - **EQ** has rolled out its retail data insights tool ("ClearLake") that incorporates millions of consumer transactions and billions of dollars of consumer spending to provide insights and understanding into consumer behavior and spending trends in Canada.
 - We believe ClearLake should increase recurring revenue and improve Gross Margins and EBITDA in 2023.

Financial Analysis & Valuation:

- Due to the lower revenue in Q3/2022, the Company's guidance for Q4/2022, and uncertainty about the timing of revenue from **EQ's** new data services, we have lowered our quarterly revenue estimate to \$3.2 million from \$4.5 million in Q4/2022, which decreases our annual revenue estimate to \$11.3 million in 2022 from \$14.0 million. For 2023, we are reducing our revenue estimate to \$17.0 million from \$21.5 million.
- We estimate an equal-weighted price target of \$1.80 based on a DCF valuation (\$2.31/share) and a Revenue Multiple valuation (\$1.29/share).
- **We are maintaining our Buy rating but decreasing our one-year price target to \$1.80 from \$1.90.**

All figures in CAD unless otherwise stated.

eResearch Corporation

100 University Avenue, 5th Floor • Toronto, Ontario • M5J 1V6
www.eresearch.com

REVIEW OF Q3/2022 FINANCIALS

Revenue:

- **EQ** reported Revenue of \$2.1 million in Q3/2022, down 32.0% from \$3.1 million in Q3/2021, down 34.8% from \$3.2 million in the previous quarter, and lower than our estimate of \$3.5 million.
- The revenue decline was primarily due to reductions in client spending due to the delay in certain advertising campaigns that were pushed in 2023, primarily by clients in the automotive industry. In addition, **EQ** continued to refocus resources towards its higher margin, recurring revenue suite of products, including the recently launched retail data insights tool ("ClearLake") and data dashboard.
- In Q3/2022, Data sales were \$0.7 million, down 24.2% from \$0.9 million in the same quarter last year and down 23.5% from the last quarter. However, Data revenue, as a percentage of total revenue, increased to 33.0% for the quarter.
- In the quarter, Advertising sales were \$1.4 million, down 35.3% from \$2.2 million in Q3/2021, and down 39.3% from last quarter.
- From a seasonality perspective, the fourth quarter is traditionally the highest-grossing quarter of the year for **EQ**.

Figure 1: Financial Summary

(C\$) ('000)	2020A	Q321A	Q421A	2021A	Q122A	Q222A	Q322A	Q322E	DIFF	Q422E	2022E	2023E
Total Revenue	\$10,421	\$3,104	\$4,218	\$12,086	\$2,714	\$3,240	\$2,111	\$3,500	-40%	\$3,200	\$11,265	\$16,950
Gross Profit	\$4,723	\$1,196	\$1,701	\$4,977	\$938	\$1,251	\$813	\$1,351	-40%	\$1,232	\$4,234	\$7,797
Total Operating Expenses	\$7,707	\$2,778	\$3,122	\$9,548	\$2,755	\$2,644	\$2,557	\$1,781	44%	\$2,152	\$10,108	\$8,974
Operating Income	(\$2,984)	(\$1,582)	(\$1,421)	(\$4,571)	(\$1,817)	(\$1,393)	(\$1,744)	(\$429)	(\$1,315)	(\$920)	(\$5,874)	(\$1,177)
Adj. EBITDA	(\$1,282)	(\$1,144)	(\$1,167)	(\$3,342)	(\$1,586)	(\$1,170)	(\$1,438)	(\$224)	(\$1,214)	(\$697)	(\$4,891)	(\$348)
Diluted EPS	(\$0.05)	(\$0.02)	(\$0.04)	(\$0.09)	(\$0.03)	(\$0.02)	(\$0.03)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.09)	(\$0.02)
Cash	\$3,209	\$9,809	\$8,763	\$8,763	\$7,528	\$5,729	\$3,014	\$3,959		\$1,747	\$1,748	(\$825)
Debt	\$2,069	\$120	\$77	\$77	\$77	\$78	\$78	\$76		\$76	\$76	\$71

Source: Company Reports; eResearch Corp.

Revenue Guidance and Company Comments:

- **EQ** reported that Q4/2022 bookings should be approximately 50% higher than in the third quarter.
- It also reported two major contract extensions (\$0.4 million and \$0.6 million), a large client renewal, and eight new clients signed during the quarter for data and media engagements with revenue that should be recognized in Q4/2022 and 2023.
- Based on its current forecasts, the Company expects to be profitable in the second half of 2023.
- Due to lower revenue in Q3/2022, the Company's guidance for Q4/2022, and uncertainty about revenue from **EQ's** new data services, we have lowered our quarterly revenue estimate to \$3.2 million from \$4.5 million in Q4/2022, which decreases our annual revenue estimate to \$11.3 million in 2022 from \$14.0 million. For 2023, we are reducing our revenue estimate to \$17.0 million from \$21.5 million.
- Earlier this year, **EQ** rolled out its retail data insights tool ("ClearLake") and data dashboard in beta mode. The solution incorporates hundreds of millions of consumer transactions and billions of dollars of consumer spending into a solution that provides insights and understanding into consumer behavior and spending trends in Canada.

- The Company reported that initial feedback from customers for these tools and dashboards was positive for both the retail and automotive products, which the Company believes are important verticals for its solution.
- We received a demo of the product and were impressed with the depth of data and consumer insight that retailers can use to target customers.
- The Company continues to invest in its AI and Data products, both of which are expected to increase recurring revenue and improve EBITDA in 2023. During the quarter, three new data partnerships were integrated into **EQ's** data solution to further enhance its product offerings.

Paymi Acquisition and Integration

- **EQ** continued to invest in **Paymi**, its consumer-facing application with unique zero-party data assets, which it acquired in mid-2021.
- **Paymi's** acquisition adds a new revenue stream and facilitates expansion into multiple new customer verticals. The propriety technology platform accumulates first-party data (100% consent-based) and should enhance the Company's LOCUS (analytics and AI framework) platform with proprietary zero-party data.
- Although there have been upfront costs related to the acquisition of **Paymi** in its first year of operations, **EQ** believes once the new **Paymi** App gains wider acceptance, it is expected to show a positive impact on profit.

Gross Profit and Gross Margin

- **EQ's** publishing costs largely include payments to advertising exchanges and publishers, paid search traffic costs, and other direct costs associated with generating revenue.
- We calculate Gross Profit as Revenue minus Publishing Costs.
- **EQ** reported Gross Profit of \$0.8 million in Q3/2022, down 32.0% from \$1.2 million in Q3/2021.
- Publishing Costs were \$1.3 million in Q3/2022, which was only 61.5% of the total revenue, compared to \$1.9 million in the prior-year period, which was also 61.5% of revenue.
- In Q3/2022, Gross Margin was 38.5%, unchanged from 38.5% in Q3/2021, and inline with our estimate of 38.6%.

Sales, General, and Administrative (SG&A) Expenses

- In Q3/2022, **EQ's** SG&A expenses were \$1.2 million, down 18.1% from \$1.5 million in Q3/2021, and relatively unchanged from \$1.2 million in the previous quarter.
- SG&A expenses in Q3/2022 represented 56.6% of Total Revenue, up 9.6% from 47.0% in the same quarter last year.
- In Q3/2022, Other Operating Costs were \$1.1 million, up slightly from \$1.0 in Q3/2021, but down from \$1.2 million in the previous quarter. **EQ's** Other Operating Costs consist primarily of office and administration expenses.
- The Company reported that during the second half of 2022, various cost-cutting and restructuring changes were implemented to focus on higher-margin recurring revenue products and overall company profitability, resulting in approximately \$2.5 million of cost savings annually. **Currently, we are modeling Total Operating expenses in 2023 of \$8.9 million down from \$10.1 million in 2022.**

Net Loss

- The Company reported a Net Loss of \$1.8 million in Q3/2022, an increase of 5.7% from a Net Loss of \$1.7 million in Q3/2021, and a slight increase from the Net Loss of \$1.4 million in the previous quarter.
- The increase in net loss year-over-year was primarily attributable to an increase in employee compensation as the Company hired a significant number of employees and also due to additional other costs related to the acquisition of **Paymi**, which is still in its first year of operations as a division of **EQ**.
- Basic and Diluted EPS in the quarter was $-\$0.03$ compared to $-\$0.02$ for Basic and Diluted EPS in the same quarter last year.

Adjusted EBITDA

- In Q3/2022, **EQ** reported Adjusted EBITDA Loss of \$1.4 million, up from a loss of \$1.1 million in the same quarter last year, and a loss of \$1.2 million in the previous quarter.
- The Adjusted EBITDA loss increase quarter-over-quarter and year-over-year was primarily due to the lower revenue in the quarter and slightly higher operating costs.

Cash and Working Capital

- As of September 30, 2022, **EQ** had \$3.0 million in cash, down 47.4% from \$5.7 million in Q2/2022. The Company continues to conserve cash as it waits for the normalization of the retail environment back to pre-COVID levels.
- At the end of the quarter, the Company's Total Debt stood at \$0.1 million, down 35.0% from \$0.1 million in Q3/2021. The loan is a Canada Emergency Business Loan ("CEBA") that provided interest-free loans to businesses to help cover operating costs during COVID-19. No principal or interest payments are required before December 31, 2023, and the loan is interest-free until December 31, 2023.
- At the end of Q3/2022, **EQ** had Working Capital of \$1.5 million, down from \$3.2 million in the previous quarter. The Company may have to raise funds as it continues to invest in and market its new digital solutions.

Figure 2: Revenue Segmentation Chart

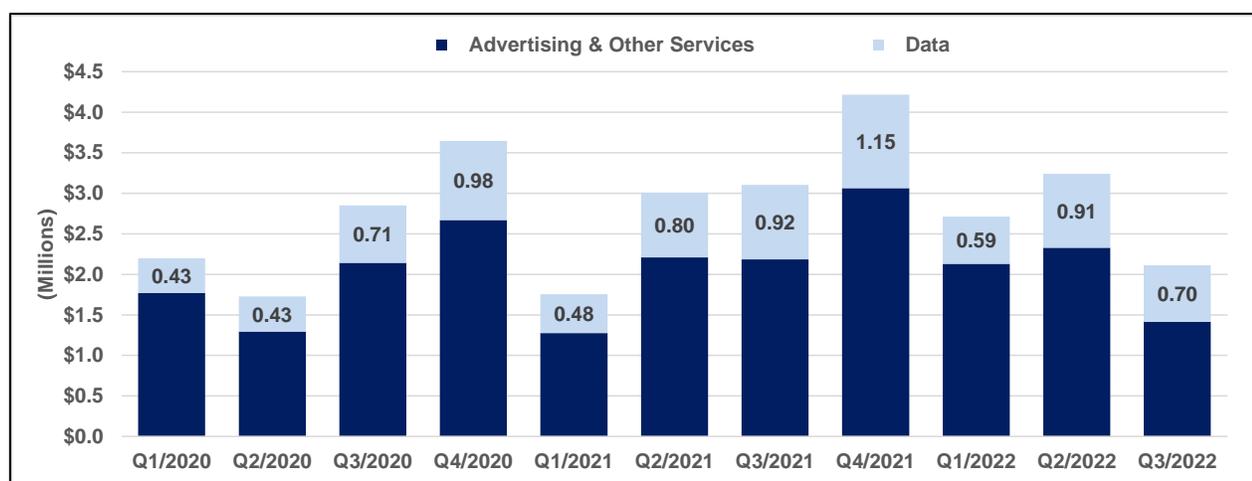
	Dec 31/19 2019A	Dec 31/20 2020A	Mar 31/21 Q1/21A	Jun 30/21 Q2/21A	Sep 30/21 Q1/21A	Dec 31/21 Q2/21A	Dec 31/21 2021A	Mar 31/22 Q1/22A	Jun 30/22 Q2/22A	Sep 30/22 Q3/22A	
Geographical											
Canada	\$7,513	\$9,919	\$1,723	\$2,970	\$3,074	\$4,202	\$11,969	\$2,709	\$3,236	\$2,110	100.0%
United States	\$1,445	\$502	\$32	\$39	\$30	\$16	\$117	\$5	\$4	\$1	0.0%
Outside of North America	\$7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total ('000)	\$8,965	\$10,421	\$1,755	\$3,009	\$3,104	\$4,218	\$12,086	\$2,714	\$3,240	\$2,111	100%
Revenue Streams											
Advertising Services	\$7,518	\$7,596	\$1,275	\$2,210	\$2,184	\$3,064	\$8,733	\$2,129	\$2,329	\$1,414	67.0%
Fixed Fee Data Sales	1,308 *	2,546 *	480 *	\$799	\$920	1,083 *	3,282 *	585 *	911 *	697 *	33.0%
CPM Data Sales	N/A	N/A	\$0	\$0	\$0	\$71	\$71	\$0	\$0	\$0	
Other Services	\$139	\$279	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total ('000)	\$8,965	\$10,421	\$1,755	\$3,009	\$3,104	\$4,218	\$12,086	\$2,714	\$3,240	\$2,111	100%
Customer Concentration											
Top Customer 1	27%	23%	24%	29%	29%	n/a	29%	37%	34%	22%	
Top Customer 2	13%	14%	21%	17%	17%	n/a	18%	14%	14%	20%	
Top Customer 3	11%		10%	15%	12%	n/a		12%	14%	17%	
Total	51%	37%	55%	61%	58%	0%	47%	63%	62%	59%	

Source: Company Reports; eResearch Corp.

Segment Data

- In Q3/2022, **EQ** generated \$2.1 million or almost 100% of its revenue from clients in Canada, up from 99.9% in Q2/2022, with the U.S. generating less than 0.1% of revenue in the quarter (see [Figure 2](#)).
- The Company's customer concentration from its top three customers decreased to 59% in Q3/2022 compared to 62% in Q2/2022.
- **EQ** reports revenue streams by Advertising Services & Other Services (including CPM Data Sales) and Fixed Fee Data Sales. The Advertising Services stream generated 67.0% of revenue in Q3/2022, down from 71.9% of revenue in Q2/2022; Data Sales generated 33.0% of revenue, up from 28.1% of revenue in Q2/2022.
- The Company's primary focus remains on growing the data analytics business, and thus it believes that the Data Sales segment will generate a more significant percentage of overall revenue in the near future. See Figure 3 for the Data Services growth profile.

Figure 3: Quarterly Revenue by Segment



Source: Company Reports; eResearch Corp.

Figure 4: Model Assumptions

METRIC	RATE			
	2021A	2022E	2023E	2024E-2027E
Revenue Growth	16%	-7%	50%	CAGR: 31%
Gross Margins	41%	38%	46%	From 48% to 56%
EBITDA Margins	-28%	-44%	-2%	From 11% to 29%

Source: eResearch Corp.

Figure 5: Target Price (1 Year) Calculation

			TARGET
Method 1: DCF (5-year)	WACC:10%	Terminal Multiple:15x EBITDA	\$2.31
Method 2: Revenue Multiple	5.0x	1 Year Fwd Revenue (Est.): \$15.1M	\$1.29
Equal-Weighted Valuation (1 year)			\$1.80
Target Price (1 year)			\$1.80

Source: eResearch Corp.

VALUATION

Due to a slower launch of **EQ's** new data services and the Company's revenue guidance, we have lowered our quarterly revenue estimate to \$3.2 million from \$4.5 million in Q4/2022, which decreases our annual revenue estimate to \$11.3 million in 2022 from \$14.0 million. For 2023, we are reducing our 2023 revenue estimate to \$17.0 million from \$21.5 million.

[Figure 4](#) highlights the revenue growth and gross margin assumptions we use in our model to reach our stock price target estimate.

In Q3/2022, **EQ** generated less than 0.1% of its revenue from the U.S. In 2023 and beyond, 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 13% in 2022 and reach over US\$320 billion. Canada ranked tenth in advertising expenditures and spent approximately 25 times less than the U.S. did in 2021.

Target Price Calculation

Method 1: Discounted Cash Flow ([see Figure 6](#))

We moved the model forward one quarter and maintained the Terminal EBITDA multiple in 2027 at 15x EBITDA, which is inline with comparable companies in the U.S. AdTech industry ([see Appendix C](#)). Using a Weighted Average Cost of Capital (WACC) of 10%, the one-year target share price estimate is \$2.31.

Method 2: Revenue Multiple ([see Figure 5](#))

We moved the model forward one quarter to calculate a one-year forward Revenue estimate of \$15.1 million and maintained the revenue multiple at 5.0x Revenue, which is inline with comparable companies in the U.S. AdTech industry ([see Appendix C](#)), and calculated a one-year target share price of \$1.29.

The equal-weighted price per share is \$1.80 and we are decreasing our one-year price target to \$1.80 from \$1.90.

We are maintaining our Buy rating but decreasing our one-year price target to \$1.80.

Figure 6: DCF Analysis

EQ Inc. FYE (December 31)	2020A	2021A	2022E	2023E	2024E	2025E	2026E	2027E
DCF Analysis (C\$)								
Revenue (\$)	10.4	12.1	11.3	17.0	23.7	32.0	41.6	50.0
Revenue Growth	16.2%	16.0%	-6.8%	50.5%	40.0%	35.0%	30.0%	20.0%
EBITDA (\$)	(1.9)	(3.3)	(5.0)	(0.3)	2.6	6.4	10.8	14.5
EBITDA Growth	n/a	n/a	n/a	93.0%	854.0%	144.3%	69.0%	33.8%
EBITDA Margin	-18.6%	-27.7%	-44.3%	-2.1%	11.1%	20.0%	26.0%	29.0%
Depreciation and Amortization	0.4	0.6	0.6	0.4	0.4	0.3	0.3	0.2
EBIT (\$)	(2.3)	(3.9)	(5.6)	(0.8)	2.3	6.1	10.6	14.3
NOPAT	(3.0)	(4.6)	(5.9)	(1.2)	1.8	5.5	9.7	13.3
Plus Amortization (\$)	0.4	0.6	0.6	0.4	0.4	0.3	0.3	0.2
Less Capital Expenditures (\$)	(0.6)	(0.8)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)
Capital Intensity	6.2%	6.4%	4.4%	0.5%	0.3%	0.2%	0.1%	0.1%
Net Working Capital Changes	(1.5)	0.2	(0.0)	(0.7)	(1.9)	(1.4)	(1.8)	(1.4)
EPS (Continuing)	(0.05)	(0.09)	(0.09)	(0.02)	0.02	0.08	0.14	0.19
Unlevered Free Cash Flow (\$)	(4.8)	(4.5)	(5.8)	(1.5)	0.2	4.4	8.1	12.1
PV of Unlevered FCFs (\$)	(5.7)	(4.9)	(5.7)	(1.4)	0.2	3.2	5.5	7.4
Valuation Assumptions:								
Discount Rate	10.0%							
Terminal Multiple	15.0x							
Valuation Analysis:								
	Current	1-Yr Target	2-Yr Target					
Total PV of FCFs (\$M)	9.2	16.5	19.8					
Terminal Value (\$M)	217.4	217.4	217.4					
PV of Terminal Value (\$M)	134.0	147.4	162.1					
Net (debt) cash position	0.6	-0.8	-0.4					
Total Value (\$M)	143.7	163.0	181.5					
DCF Value/Share (C\$)	C\$2.04	C\$2.31	C\$2.57					
DCF Value/Share (US\$)	US\$1.51	US\$1.71	US\$1.91					
FD Shares O/S (M)*	70.6	70.6	70.6					

Source: Company Reports; eResearch Corp.

Figure 7: Sensitivity Chart – Discount Rate and Terminal EV/EBITDA Multiple

	Terminal EV/EBITDA Multiplier						
	12.00	13.00	14.00	15.00	16.00	17.00	18.00
6.0%	2.20	2.36	2.52	2.68	2.85	3.01	3.17
8.0%	2.04	2.19	2.34	2.49	2.64	2.79	2.94
10.0%	1.89	2.03	2.17	2.31	2.45	2.59	2.73
12.0%	1.76	1.89	2.02	2.15	2.28	2.41	2.53
14.0%	1.64	1.76	1.88	2.00	2.12	2.24	2.36
16.0%	1.53	1.64	1.75	1.86	1.97	2.09	2.20

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 several 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.

In March 2022, **EQ** announced that it partnered with **Tapad Initiative**, a leading provider of global cross-device digital identity marketing technology, to create Canada's largest, privacy-forward device identity graph.

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

In 2022 and for the first time, **eMarketer** expects that digital ad spending in Canada will be more than double traditional ad spending, and could account for over 68% of the total ad market. Worldwide, digital ad spending is expected to reach over US\$602 million in 2022 and capture over two-thirds of ad spending.

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 2021, the U.S. accounted for 1% 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 8: Income Statement

EQ	2020A	2021A	Q122A	Q222A	Q322A	Q422E	2022E	2023E
Income Statement - FYE (December 31)								
Total Revenue	10,421	12,086	2,714	3,240	2,111	3,200	11,265	16,950
Total Cost of Sales	5,698	7,109	1,776	1,989	1,298	1,968	7,031	9,153
Gross Profit	4,723	4,977	938	1,251	813	1,232	4,234	7,797
General and Administrative	3,944	4,629	1,320	1,175	1,124	928	4,547	4,958
Other Operating Costs	2,061	3,690	1,204	1,246	1,127	1,002	4,579	3,187
Stock Based Compensation	678	643	84	48	71	96	299	389
Depreciation of Property & Equipment	141	145	27	17	16	14	74	35
Total Operating Expenses	7,707	9,548	2,755	2,644	2,557	2,152	10,108	8,974
Operating Income	(2,984)	(4,571)	(1,817)	(1,393)	(1,744)	(920)	(5,874)	(1,177)
Total Other Income	(443)	(1,384)	(42)	12	(23)	(74)	(127)	(292)
EBT	(3,427)	(5,955)	(1,859)	(1,381)	(1,767)	(993)	(6,000)	(1,469)
Income Taxes	-	-	-	-	-	-	-	-
Net Income (Loss)	(3,427)	(5,955)	(1,859)	(1,381)	(1,767)	(993)	(6,000)	(1,469)
EPS								
Basic EPS	(0.06)	(0.09)	(0.03)	(0.02)	(0.03)	(0.01)	(0.09)	(0.02)
Diluted EPS	(0.05)	(0.09)	(0.03)	(0.02)	(0.03)	(0.01)	(0.09)	(0.02)
EBITDA								
EBITDA	(1,937)	(3,342)	(1,586)	(1,170)	(1,535)	(697)	(4,988)	(348)
Adj. EBITDA	(1,282)	(3,342)	(1,586)	(1,170)	(1,438)	(697)	(4,891)	(348)
Shares Outstanding								
Shares Outstanding, Basic (Weighted)	58,912	67,266	69,436	69,436	69,436	69,436	69,436	69,436
Shares Outstanding, Diluted (Weighted)	63,189	67,266	69,436	69,436	69,436	69,436	69,436	69,436

Source: Company Reports; eResearch Corp.

Figure 9: Balance Sheet

EQ	2020A	2021A	Q122A	Q222A	Q322A	Q422E	2022E	2023E
Balance Sheet - FYE (December 31)								
Current Assets								
Cash	3,209	8,763	7,528	5,729	3,014	1,747	1,748	14
Account Receivables	4,572	4,687	3,090	3,253	2,451	2,804	2,804	3,630
Investment Tax Credits Receivable	0	0	0	0	0	0	0	0
Prepaid Expenses & Other Assets	197	388	384	380	332	475	475	489
Total Current Assets	7,978	13,838	11,002	9,362	5,797	5,025	5,026	4,134
Non-Current Assets								
Property and Equipment	102	101	92	80	64	52	52	23
Intangible Assets	1,096	2,193	2,223	2,215	2,243	2,153	2,153	1,829
Goodwill	732	2,914	2,914	2,914	2,914	2,914	2,914	2,914
Other	76	6	0	0	0	0	0	0
Total Assets	9,984	19,052	16,231	14,571	11,018	10,145	10,146	8,900
Current Liabilities								
Accounts Payables	2,908	4,514	3,794	3,630	3,098	3,121	3,121	3,216
Lease Liability	132	16	0	0	0	99	99	158
Short-Term Debt	1,989	0	0	0	0	6	6	24
Total Current Liabilities	5,337	7,531	6,485	6,157	4,301	4,333	4,333	4,191
Non-Current Liabilities								
Term Loan	80	77	77	78	78	70	70	46
Provision/Loan Payable/Benefits Payable	0	0	0	0	0	0	0	0
Total Liabilities	5,435	7,608	6,562	6,235	4,379	4,403	4,403	4,237
Shareholders Equity								
Capital Stock	4,549	11,444	9,669	8,336	6,639	6,639	6,639	6,639
Contributed Surplus	0	0	0	0	0	96	96	485
Deficit	-	-	-	-	-	(993)	(993)	(2,463)
Total Shareholders Equity	4,549	11,444	9,669	8,336	6,639	5,742	5,743	4,662
Total Liabilities & Shareholders Equity	9,984	19,052	16,231	14,571	11,018	10,145	10,146	8,900

Source: Company Reports; eResearch Corp.

Figure 10: Cash Flow Statement

EQ	2020A	2021A	Q122A	Q222A	Q322A	Q422E	2022E	2023E
Cash Flow Statement - FYE (December 31)								
Cash Provided By Operating Activities								
Net Income (Loss)	(3,427)	(5,955)	(1,859)	(1,381)	(1,768)	(993)	(6,000)	(1,469)
Amortization of Intangibles	228	441	120	158	122	112	512	405
Depreciation of Property & Equipment	141	145	27	17	16	14	74	35
Stock Based Compensation Expense	678	643	84	48	71	96	299	389
Changes in Non-Cash Working Capital								
Account & Other Receivables	(2,512)	(115)	1,597	(163)	802	(353)	1,883	(827)
Investment/Income Tax Credits	-	-	-	-	-	-	-	-
Prepaid Expenses & Other Current Assets	-	-	(1)	(8)	45	(143)	(107)	(14)
Accounts Payable & Other Payables	1,096	111	(703)	(126)	(1,212)	23	(2,018)	95
Deferred (Unbilled) Revenue	(76)	442	-	-	-	99	99	59
Total Cash Provided By Operating Activities	(2,745)	(3,090)	(1,027)	(1,669)	(1,293)	(1,144)	(5,132)	(1,327)
Investing Activities								
Purchase of Property & Equipment	(68)	(58)	(12)	(5)	-	(3)	(20)	(6)
Purchase of Intangibles	(575)	(711)	(150)	(150)	(150)	(22)	(472)	(81)
Business Acquisition	(941)	(616)	-	-	(1,305)	-	(1,305)	-
Redemption of Short-Term Investments & Restricted Cash	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	(1,576)	(1,363)	(158)	(142)	(1,439)	(25)	(1,764)	(87)
Financing Activities								
Proceeds from Loan	80	40	-	-	-	-	-	-
Operating Line (Repayment)	-	(534)	-	-	-	(96)	(96)	(314)
Repayment of Loan	(21)	(1,717)	(49)	4	-	(2)	(47)	(6)
Issue/Repurchase of Equity	-	10,739	-	-	-	-	-	-
Proceeds from exercise of Stock Options and Warrants	3,776	1,468	-	-	-	-	-	-
Total Cash From Financing Activities	3,835	9,996	(49)	4	-	(98)	(143)	(320)
Effect of Exchange Rates on Cash	4	11	(1)	8	17	-	24	-
Net Increase in Cash	(482)	5,554	(1,235)	(1,799)	(2,715)	(1,267)	(7,015)	(1,734)
Beginning Cash	3,691	3,209	8,763	7,528	5,729	3,014	8,763	1,748
Ending Cash	3,209	8,763	7,528	5,729	3,014	1,747	1,748	14

Source: Company Reports; eResearch Corp

Appendix C: AdTech & Business Intelligence Comparables

Figure 11: U.S. and Canadian Comparables

Name	Ticker	Dec 02 Close (US\$)	Mkt Cap (US\$ M)	EV (US\$ M)	REVENUE (US\$ M)			EBITDA (US\$ M)			EV/Revenue			EV/EBITDA		
					2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E	2021A	2022E	2023E
US Comps - Large Cap																
Accenture plc	NYSE:ACN	\$301.66	\$190,070	\$186,143	\$53,736	\$62,218	\$65,442	\$9,932	\$11,627	\$12,334	3.5x	3.0x	2.8x	18.7x	16.0x	15.1x
Adobe Inc.	NASDAQ:ADBE	\$342.96	\$159,442	\$158,319	\$15,785	\$17,612	\$19,464	\$7,954	\$8,795	\$9,595	10.0x	9.0x	8.1x	19.9x	18.0x	16.5x
Alphabet Inc.	NASDAQ:GOOGL	\$100.62	\$1,302,323	\$1,215,400	\$257,637	\$282,264	\$308,255	\$105,942	\$109,884	\$119,394	4.7x	4.3x	3.9x	11.5x	11.1x	10.2x
Meta Platforms, Inc.	NASDAQ:META	\$123.75	\$328,129	\$312,834	\$117,929	\$116,244	\$122,726	\$64,517	\$51,022	\$48,199	2.7x	2.7x	2.5x	4.8x	6.1x	6.5x
LiveRamp Holdings, Inc.	NYSE:RAMP	\$22.49	\$1,495	\$1,053	\$506	\$589	\$634	\$43	\$51	\$94	2.1x	1.8x	1.7x	24.4x	20.6x	11.2x
The Trade Desk, Inc.	NASDAQ:TTD	\$54.82	\$26,835	\$25,780	\$1,196	\$1,579	\$1,907	\$490	\$653	\$727	21.5x	16.3x	13.5x	52.7x	39.5x	35.4x
Verizon Communications Inc.	NYSE:VZ	\$38.25	\$160,656	\$338,463	\$133,613	\$136,891	\$138,872	\$48,338	\$47,958	\$48,818	2.5x	2.5x	2.4x	7.0x	7.1x	6.9x
Mean (If EV/Revenue <20; EV/EBITDA <100)											4.2x	5.7x	5.0x	19.9x	16.9x	14.6x
Median											3.5x	3.0x	2.8x	18.7x	16.0x	11.2x
US Comps - Mid Cap																
Criteo S.A.	NASDAQ:CRTO	\$27.05	\$1,629	\$1,449	\$2,254	\$922	\$1,020	\$322	\$251	\$287	0.6x	1.6x	1.4x	4.5x	5.8x	5.1x
Digital Turbine, Inc.	NASDAQ:APPS	\$18.96	\$1,877	\$2,254	\$659	\$734	\$754	\$166	\$205	\$221	3.4x	3.1x	3.0x	13.6x	11.0x	10.2x
Fluent, Inc.	NASDAQ:FLNT	\$1.23	\$98	\$114	\$329	\$365	\$387	\$19	\$25	\$29	0.3x	0.3x	0.3x	6.1x	4.5x	4.0x
Marchex, Inc.	NASDAQ:MCHX	\$1.77	\$73	\$52	\$53	\$53	\$54	-\$5	\$0	\$0	1.0x	1.0x	1.0x			275.7x
QuinStreet, Inc.	NASDAQ:QNST	\$14.43	\$774	\$694	\$589	\$565	\$625	\$51	\$17	\$41	1.2x	1.2x	1.1x	13.7x	40.7x	16.9x
Magnite, Inc.	NASDAQ:MGNI	\$12.79	\$1,705	\$2,261	\$468	\$512	\$557	\$141	\$179	\$184	4.8x	4.4x	4.1x	16.1x	12.6x	12.3x
TechTarget, Inc.	NASDAQ:TTGT	\$46.26	\$1,357	\$1,452	\$263	\$296	\$306	\$103	\$121	\$122	5.5x	4.9x	4.7x	14.1x	12.0x	11.9x
Mean (If EV/Revenue <20; EV/EBITDA <100)											2.4x	2.4x	2.2x	11.3x	14.5x	10.1x
Median											1.2x	1.6x	1.4x	13.7x	11.5x	11.9x
US Comps - Small Cap																
Harte Hanks, Inc.	NASDAQ:HHS	\$11.05	\$80	\$103	\$195	\$204	\$227	\$17	\$20	\$25	0.5x	0.5x	0.5x	6.0x	5.1x	4.1x
Inuvo, Inc.	NYSEAM:INUV	\$0.30	\$36	\$35	\$60	\$77	\$86	-\$2	-\$5	-\$4	0.6x	0.5x	0.4x			
Marin Software Incorporated	NASDAQ:MRIN	\$1.19	\$19	-\$8	\$24											
Mobiquity Technologies, Inc.	NASDAQ:MOBQ	\$0.92	\$8	\$12	\$3	\$0	\$0	-\$3	\$0	\$0	4.3x					
SRAX, Inc.	NASDAQ:SRAX	\$1.72	\$45	\$30	\$32	\$49	\$59	-\$3	\$12		1.0x	0.6x	0.5x		2.6x	
Mean (If EV/Revenue <20; EV/EBITDA <100)											1.6x	0.5x	0.5x	6.0x	3.9x	4.1x
Median											0.8x	0.5x	0.5x	6.0x	3.9x	4.1x
Canadian Comps																
AcuityAds Holdings Inc.	TSX:AT	\$2.66	\$152.6	\$75.6	\$121.7	\$118.6	\$131.3	\$20.8	\$6.4	\$9.6	0.6x	0.6x	0.6x	3.6x	11.8x	7.9x
Adcore Inc.	TSX:ADCO	\$0.29	\$17.4	\$11.7												
Aquarius AI Inc.	CNSX:AQUA	\$0.02	\$3.1	\$3.2												
DGTL Holdings Inc.	TSXV:DGTL	\$0.07	\$2.9	\$3.7												
Reklam Ltd.	TSXV:MYID	\$0.03	\$2.8	\$3.8												
Fobi AI Inc.	TSXV:FOBI	\$0.30	\$46.1	\$45.2												
YANGAROO Inc.	TSXV:YOO	\$0.04	\$2.5	\$5.3												
Yellow Pages Limited	TSX:Y	\$14.27	\$266.3	\$169.2	\$285.9	\$269.3	\$253.2	\$102.5	\$99.2	\$93.8	0.6x	0.6x	0.7x	1.7x	1.7x	1.8x
Zoomd Technologies Ltd.	TSXV:ZOMD	\$0.17	\$16.5	\$16.9												
Mean (If EV/Revenue <20; EV/EBITDA <100)											0.6x	0.6x	0.6x	2.6x	6.7x	4.8x
Median											0.6x	0.6x	0.6x	2.6x	6.7x	4.8x
EQ Inc.	TSXV:EQ	\$1.14	\$79	\$76	\$12.1	\$11.3	\$17.0	-\$3.3	-\$5.0	-\$0.3	6.3x	6.8x	4.5x			

Source: S&P Capital IQ; eResearch Corp.

Appendix D: eResearch Disclosure

eRESEARCH CORPORATION

eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eresearch.com

NOTE: eResearch company reports are available FREE on our website: www.eresearch.com

eResearch Intellectual Property: No representations, express or implied, are made by **eResearch** as to the accuracy, completeness, or correctness of the comments made in this research report. This report is not an offer to sell or a solicitation to buy any security of the Company. Neither **eResearch** nor any person employed by **eResearch** accepts any liability whatsoever for any direct or indirect loss resulting from any use of its report or the information it contains. This report may not be reproduced, distributed, or published without the express permission of **eResearch**.

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 **EQ Inc. (TSXV: EQ)**.

eRESEARCH DISCLOSURE STATEMENT

eResearch is engaged solely in the provision of equity research to the investment community. **eResearch** provides published research and analysis to its Subscribers on its website (www.eresearch.com), and to the general investing public through its extensive electronic distribution network and newswire agencies. With regards to the distribution of its research material, **eResearch** makes all reasonable efforts to provide its publications, via e-mail, simultaneously to all of its Subscribers.

eResearch does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.

eResearch accepts fees from the companies it researches (the "Covered Companies"), and from financial institutions or other third parties. The purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little or no research coverage.

A third-party Capital Markets advisory firm paid **eResearch** a fee to have it conduct research and publish reports on the Company for one year.

To ensure complete independence and editorial control over its research, **eResearch** follows certain business practices and compliance procedures. For instance, fees from Covered Companies are due and payable before the commencement of research. Management of the Covered Company is sent copies, in draft form without a Recommendation or a Target Price, of the Initiating Report and the Update Report before publication to ensure our facts are correct, that we have not misrepresented anything, and have not included any non-public, confidential information. At no time is management entitled to comment on issues of judgment, including Analyst opinions, viewpoints, or recommendations. All research reports must be approved, before publication, by **eResearch's** Director of Research, who is a Chartered Financial Analyst (CFA).

All Analysts are required to sign a contract with **eResearch** before engagement and agree to adhere at all times to the CFA Institute Code of Ethics and Standards of Professional Conduct. **eResearch** Analysts are compensated on a per-report, per-company basis and not based on his/her recommendations. Analysts are not allowed to accept any fees or other considerations from the companies they cover for **eResearch**. Analysts are allowed to trade in the shares, warrants, convertible securities, or options of companies they cover for **eResearch** only under strict, specified conditions, which are no less onerous than the guidelines postulated by IIROC. Similarly, **eResearch**, its officers, and directors are allowed to trade in shares, warrants, convertible securities, or options of any of the Covered Companies under identical restrictions.