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QIS COMPANY PROFILE



NTG Clarity Networks Inc.
(NCI:TSX-V)

Date: January 18, 2018

Price: \$0.095

(coverage initiated on Feb. 4, 2010 at \$0.045)



KEY INFORMATION

Fiscal Year-end	December 31
52-Week High/Low	\$0.17 - \$0.025
3-Month Avg. Daily Trading Volume	377,025 shares
Market Capitalization	\$4.0 million
Enterprise Value	\$11.3 million
Book Value per Share	(\$0.07)
Working Capital per share (Sep. 30)	(\$0.12)
Current Ratio	0.6
Gross Margin (Q3 2017)	56%
LT Debt to Equity	0.0
Price to 2015 Earnings (after tax)	9.5
Price to 2016 Earnings (after tax)	nm

FINANCIAL HISTORY (000s of Canadian Dollars)

	2014	2015	2016	2017(e)
Revenues	15,503	15,533	11,372	13,750
Oper. Income	3,539	1,461	(5,466)	200
Net Income	1,242	368	(12,526)	(550)
per share	0.034	0.010	(0.35)	(0.013)

FINANCIAL DATA (000s of Canadian Dollars)

	3 Months Sep. 30		9 Months Sep. 30	
	2017	2016	2017	2016
Revenues	\$3,309	\$3,263	\$10,466	\$10,773
Cost of Sales	1,458	2,099	6,745	6,444
Gross Profit	1,851	1,163	3,721	4,330
Forex Loss (Gain)	(59)	33	(18)	849
Net Income	131	(881)	(707)	(3,877)
per share	0.003	(0.024)	(0.017)	(0.107)

BALANCE SHEET (as at September 30, 2017)

Current Assets	\$7,017,273
Total Assets	8,954,443
Current Liabilities	12,025,807
Long-Term Debt	nil
Shareholders' Equity (Deficiency)	(3,083,984)

SHARES OUTSTANDING (as at September 30, 2017)

Basic (27% held by mgmt & insiders)	41,962,355
Fully-Diluted	45,226,355

Highlights:

- lower costs recorded during first nine months of 2017, notably a 33% decline in YTD expenses compared to 2016 levels
- reached profitability again in Q3/17 as gross margin increased substantially to 56% as compared to 36% in Q3/16
- targeting an expanding international market, primarily the Middle East

QUICK SUMMARY

During the third quarter of 2017, NTG Clarity posted sales of \$3.3 million, almost exactly in line with the revenues generated in Q3 2016. Notably, year-over-year gross margins were dramatically higher in Q3 2017 at 56%, as compared to 36% in Q3 last year. Also, the company's operating expenses declined from \$1.7 million last year to \$1.5 million in 2017 during the quarter. These factors resulted in NCI posting a profitable quarter for the first time since Q3 2015. A return to profitability stems from management's cost cutting strategy that began in Q3 2016.

Lower oil prices and a weak Egyptian currency have posed significant challenges for NTG Clarity over the past couple of years as the company's business relies on the economic stability of the Middle East. However, management is confident that revenue levels are recovering and is striving to return the company to consistent profitability.

CORPORATE OVERVIEW

NTG Clarity delivers network, IT (information technology) and infrastructure solutions to telecommunications service providers. The company has been developing niche software products directed at telecom service providers and utilities markets since its inception in 1992.

The company's primary business focus is on the sale and installation of its OSS/BSS (Operations/Business Support System) product called NTS (Network & Telecom System) and

the associated consulting services and training required to implement the product. NTG Clarity has offices in Canada, Egypt, USA, Saudi Arabia, Kuwait and Oman.

NTS is a fully integrated system with a lower total cost of ownership and a much shorter deployment time than typical OSS/BSS solutions. Created to meet the needs of fast-growing network operators and network service providers, NTS has been designed to handle the full customer service cycle from the initial order request through network equipment configuration to implementation support, billing and maintenance.

NTG Clarity's brand continues to gain increased recognition as a reliable, quality supplier to telecom and network service providers. The company will continue to focus on enhancing its cost structure while targeting revenue and profit margin growth. A significant portion of future growth is expected to originate from the Middle Eastern marketplace due in part to the deregulation of the telecom sector and the licensing of new mobile operators.

In December 2015, NTG Clarity announced its largest ever contract, an \$11 million agreement with Mobile Telecommunications Company (Zain Kuwait) to provide technical professional resources and services to support various technology operations. NTG will provide both on-site and offshore services over a three year period which commenced in January 2016.

In March 2016 the company was awarded a \$1.8 million utility billing agreement in Egypt. This 2-year contract with a large water utility firm is to be delivered in two phases including the installation of hardware and software at over 30 branches. Furthermore, in November 2016, NTG received a purchase order for a new voice over Wi-Fi (VoWiFi) product offering from a major telecom operator in the Middle East.

On October 18, 2017, NTG announced a \$4.5 million frame agreement contract with an operator in the Gulf region. The initial phase will cover a 3 year period with an expected increase in contract value during 2018 as the company supplies additional resources.

In addition to these sizable multi-year contracts, NTG Clarity continues to land smaller deals including a \$300,000, 1-year government contract that was

reported in late October 2017. The company also announced four purchase orders totaling \$580,000 from Egypt in December 2017. In addition, in early January 2018, NTG announced a \$670,000 purchase order with a new customer in the Gulf region.

Over the past couple of years, business has been challenged by lower oil prices, which affects customer projects in the Middle East, as well as from the devaluation of the Egyptian currency and related challenges for working in that country. NTG Clarity commenced a cost reduction strategy in Q3/16 to bring expenses more in line with revenues. The company closed a number of non-profitable offices and reduced staff and travel expenses. NTG Clarity's financial performance has improved accordingly in 2017. Management is continuing its aggressive cost reduction strategy and was recently successful in restructuring its debt repayment requirements with its principal lender to \$50,000/month until March 1, 2018.

NTG Clarity is actively pursuing new opportunities with existing and potential new customers. The numerous purchase orders secured from new customers over the past several months have validated the company's current sales and marketing strategy. Management is confident that NTG Clarity will continue to take advantage of new opportunities for services and products in the telecom, smart building and government sectors.

NTG Clarity remains committed to consistently delivering profitability now that the company is back in the black for the first time in two years. Management will focus on capitalizing on the goodwill it has with its existing customers to expand its business and increase its margins. The company will concentrate on marketing its NTS, StageEM and voice over WiFi products, which are currently in demand and have high margins.

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