NexTech AR Solutions Corp. (NEXCF)
Rating: Buy

Scott Buck
212-856-5730
sbuck@hcwresearch.com

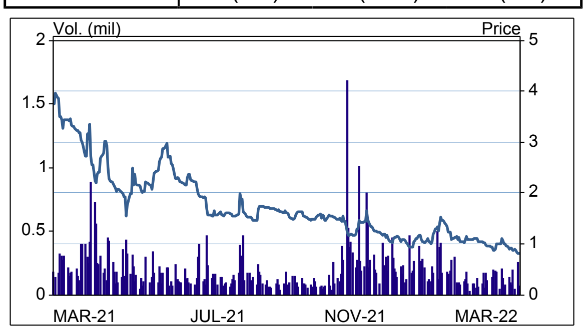
Accelerating Revenue Growth and Path to Profitability Make for an Attractive Metaverse Play; Initiating at Buy; $2.50 PT

Stock Data	03/16/2022
Price	$0.85
Exchange	OTC
Price Target	$2.50
52-Week High	$4.07
52-Week Low	$0.79
Enterprise Value (M)	$57
Market Cap (M)	$69
Shares Outstanding (M)	94.7
3 Month Avg Volume	163,432
Balance Sheet Metrics	
Cash (M)	$12.0
Total Debt (M)	$0.0
Total Cash/Share	$0.13

EPS ($) Adjusted			
Full Year - Dec	2020A	2021E	2022E
1Q	(0.01)	(0.12)A	(0.05)
2Q	(0.04)	(0.07)A	(0.03)
3Q	(0.06)	(0.09)A	(0.03)
4Q	(0.11)	(0.09)	(0.02)
FY	(0.23)	(0.37)	(0.13)

Revenue (C$M)			
Full Year - Dec	2020A	2021E	2022E
1Q	2.5	7.7A	5.5
2Q	3.5	6.1A	7.0
3Q	4.7	5.7A	8.0
4Q	7.0	6.3	9.9
FY	17.7	25.9	30.4

EBITDA ($) Adjusted			
Full Year - Dec	2020A	2021E	2022E
1Q	(0.8)	(4.5)A	(2.1)
2Q	(0.7)	(6.0)A	(2.0)
3Q	0.3	(8.7)A	(1.3)
4Q	(2.3)	(5.8)	(0.5)
FY	(3.5)	(24.9)	(5.9)



Transitioning business model positions company for shift in the digital ecosystem. We are initiating coverage of NexTech AR Solutions Corp. with a Buy rating and a 12-month price target of $2.50 per share. Headquartered in Toronto, Canada, the company is positioning itself to become a leading provider of 3D models and augmented reality solutions to the e-commerce industry. The shift from legacy retail and virtual event hosting, which represents almost 80.0% of revenue today, to software and technology solutions should drive meaningful revenue growth, margin expansion, and a re-rating of NEXCF shares, consistent with other small capitalization software companies. As scale begins to improve in 2023 and beyond, we expect revenue growth and margin expansion to drive significant operating leverage and a path to quarterly profitability as early as 2023. As the company demonstrates its ability to execute on this profitable growth strategy, we believe NEXCF shares should begin to move towards, our $2.50 price target.

Technology stack built to scale, a meaningful differentiator versus peers. Through a combination of in-house development and acquisitions, the company has developed a high-quality 3D modeling product, driven by artificial intelligence at a USD$6 to USD$10 price point, compared to as much as USD$250 for some peers. This should accelerate customer growth, scaling the business quickly. Using 2D photographs, or CAD files, NexTech customers can create 3D models on their desktops or even mobile devices and integrate those 3D models onto their online merchant websites. The near immediacy of model creation and a meaningfully lower price point versus peers make the products attractive for retailers of all sizes. Further, the company has created several complementary products using augmented reality which further enhance the consumer experience creating value for the merchant. This includes animations, holograms, exploded views, and utilization within a 3D virtual experience. The interconnection across the technology stack allows customers to create unique user experiences driving customer education, product sales, and reduce costly returns.

New e-commerce partnerships expected to meaningfully accelerate revenue growth into 2023. In January 2022, the company launched its 3D modeling product within e-commerce platform Shopify's merchant application. This allows 1.7M Shopify merchants to access 3D modeling and AR capabilities with a single click. A similar partnership was launched with SHOPLINE, Asia's largest smart commerce platform in February 2022. In total, we believe there are approximately 16.0M e-commerce stores worldwide representing as many as 400.0M SKUs that would benefit from 3D modeling. The company believes between 3D models and enhancing technologies the total addressable market more than USD$100.0B annually. We believe these distribution partnerships should serve as a meaningful driver of revenue growth as the benefits of 3D modeling, including higher sales conversion rates and lower rates of product return, should be viewed attractively by merchants of all sizes. At the current price point, USD$10 per model, per month, even smaller merchants should recognize a meaningful ROI on the addition of 3D modeling and AR capabilities. Further, direct integration with e-commerce platforms should serve as barrier to entry for potential competition. As more retailers opt-in, we expect NexTech revenue to accelerate meaningfully beginning in 2H22 and continue into 2023.

Business transition from online retail sales and virtual event hosting to software and solutions provider drives revenue growth and visibility. Today, almost 80.0% of NexTech revenue is derived from retail product sales through its legacy e-commerce business lines. However, as the business transitions away from selling retail products to providing higher margin software and managed services to the e-commerce industry, we expect both meaningful revenue growth, 17.6% in 2022 and 31.6% in 2023, and higher quality revenue. Rather than the reliance on lower margin product sales, the company should now expect improved visibility as a significant portion of customers are expected to be on a monthly subscription model with set pricing and 12-month contract duration. By year-end 2023, we believe the company could produce models on more than 500,000 products at a price point of USD$10 per product per month. This could generate annual run-rate revenue of more than C$60.0M. As revenue quality improves, and the business can demonstrate its ability to increase the number of products modeled we expect investors to become more constructive on NEXCF shares.

Cost reductions drive operating leverage and clear path to profitability. In recent months, the company has begun an aggressive reduction in operating costs as the business transitions away from retail sales and virtual event hosting to its 3D modeling and AR solutions. As a result, the company believes it is on a path to achieve operating cost levels of approximately C$1.0M per month, or an annual run-rate of C$12.0M. This compares to C$37.9M of operating costs expected in 2021. We are currently modeling 2022 operating expense of C$14.6M, slightly above management's current target. Investors should begin to see the impact of reduced costs as early as 4Q21 results, which should be released later this month. This, in our view, should help investors recognize the operating leverage in the new business model and begin to extrapolate a path towards positive EBITDA, which we believe may occur as early as 2023. As operating costs decline and revenue accelerates we believe the path to profitability becomes more clear. This should begin to attract investors to NEXCF shares.

Potential NASDAQ uplisting in 2022 could serve as meaningful catalyst. In recent months, the company has taken the steps necessary to complete an uplisting to the NASDAQ market in 2022. This includes a change in auditor from a local provider to Marcum, LLP, a more recognized name. When this change was finalized in 2021, the company indicated the decision was largely driven by the desire to uplist. We believe an uplisting to a primary exchange is likely to serve as a positive catalyst for NEXCF shares, which currently trade at a meaningful discount to augmented reality, virtual reality, and metaverse peers despite what we believe is a compelling investment story. With double-digit revenue growth, expanding margins and a path towards consistent profitability as early as 2023, we believe the investment thesis should resonate with institutional investors who may currently be unable to invest in OTC securities. With improved liquidity and investor exposure, we expect NEXCF shares to re-rate and trade at more consistent valuations with listed peers.

Valuation attractive given meaningful revenue growth opportunity and path to profitability. We are valuing NEXCF shares at $2.50, reflecting an 7.0x EV/revenue multiple on our 2023 revenue estimate of $40.0M. Our $2.50 price target represents approximately 200% upside from recent trading levels. Our targeted 7.0x EV/EBITDA multiple represents the low-end of the small capitalization technology peer group operating within the augmented reality, virtual reality, and metaverse space. These companies currently trade between 7.0x and 8.0x. As the company begins to demonstrate its ability to drive meaningful revenue growth, improve gross margin expansion, and achieve consistent profitability we believe new investors should be attracted to NEXCF shares. In addition, we suspect positive news flow, including new contract and partnership announcements to serve as a near term catalyst, ahead of the 2H22 acceleration in higher margin technology revenue.

Risks. (1) Dilution risk should the company raise additional capital given current cash burn; (2) high levels of industry competition; (3) technology risk; (4) M&A and integration risk; (5) partnership risk given partnership agreements; (6) foreign operation risk as the company operates in several jurisdictions with different levels of regulatory oversight; and (7) liquidity risk.

Company Overview

Founded in 2018, NexTech AR Solutions Corp. is a technology company focused on designing, developing, and distributing 3D models and augmented reality solutions through the company's Metaverse Studio. While current financials are largely driven by legacy retail product sales and event hosting, we expect the company's unique technology stack to accelerate growth in higher margin technology and renewable licensing revenue. The company's technology Is centered around the ability to generate high quality 3D models using artificial intelligence at a cost significantly below peers. The full suite, dubbed the Metaverse Studio, provides a series of complementary and interconnected products further separating the business from peers, while generating higher margin recurring revenue. As the business model shifts towards a software and solutions provider, we expect accelerating revenue growth, higher visibility and significant operating leverage to drive a path towards profitability. The company is headquartered in Vancouver, Canada and has approximately 125 employees.

The company currently operates three revenue reporting segments, e-commerce, technology services, and renewable software licensing. While approximately 80.0% of revenue during the first nine months of 2021 was derived from legacy retail and e-commerce channels, we believe this should decline as a percentage of total revenue over the next several years as the company begins to leverage its technology stack to provide augmented reality solutions across multiple industries. Over time, we expect the company to eventually move on from its legacy retail e-commerce businesses, through a sale or other means, likely within the next 36-months. We believe the transition away from e-commerce sales to a dedicated of provider 3D modeling and augmented reality solutions should serve as both a meaningful revenue catalyst as well as drive gross margin expansion and improve revenue visibility over the coming years. Below we outline the company's current product and service mix.

Legacy e-commerce. The company owns and operates three legacy e-commerce platforms which have historically represented most the company's revenue. Product sales across all three platforms come from a combination of direct sales, marketplaces, and sales through channels such as Amazon and eBay. Product sales totaled C$4.7M during 3Q21 and C$15.0M for the nine months ended September 2021, up 60.7% from year prior levels. While we believe the company should continue to generate a meaningful amount of revenue from these e-commerce platforms, the transition towards augmented reality technology and solutions is likely to be the more significant driver of future revenue growth and investor attention.

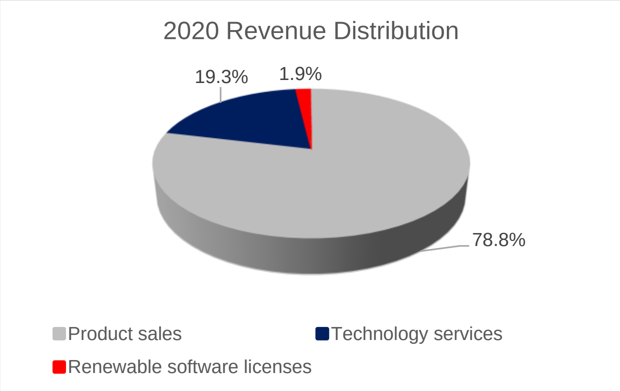
1. **Vacuumcleanermarket.com.** The vacuum cleaner retailer sells high-end residential vacuum cleaners as well as supplies and parts operating both retail locations and an online sales channel. The company also sells additional small home appliances and household goods including cleaning supplies, cooking ware, and health and vitamin products.

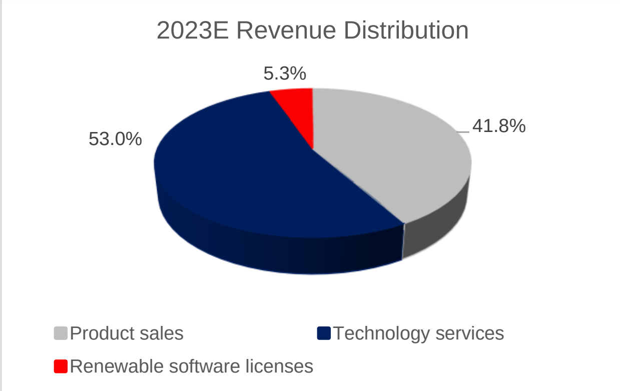
2. **Infinitepetlife.com.** Acquired in March 2019, Infinite pet life is a health food and supplement provider for animals, which operates through online sales channels.

3. **Trulyfesupplements.com.** The retailer provides health supplements through online sales channels.

We believe the company's two smaller reporting segments, technology services and renewable software licenses, represent a meaningfully more significant future revenue opportunity. As of 2020, retail was responsible for 78.8% of total revenue. However, in our model, this is reduced to 42.8% by 2023 and is likely to decline further as a percentage of total revenue, of a larger pie, as the company continues to prioritize resources towards higher growth business lines.

Historical Revenue Retail Driven, but That's Changing





Source: Company reports and H.C. Wainwright & Co. estimates.

Technology and software licensing. Through acquisition and in-house technology advancement, the company has built a scalable platform for the development of 3D models from either 2D photographs or CAD files. Through the acquisition of Threedy.ai Inc. in 2021, the company is now able to leverage artificial intelligence to speed the delivery of the 3D model and substantially lower the cost of production. The ability to scale 3D model production at a reasonable price point improves accessibility for smaller merchants and allows for faster integration with large enterprise customers. With the core 3D modeling and AR technology in place, named ARitize, the company has built a suite of complementary products, through its Metaverse Studio, enhancing AR capabilities and use cases. These products are currently sold as a combination of managed services and through software licensing. We provide brief product descriptions below.

1) **ARitize 3D.** The company's core 3D modeling and AR solution product, ARitize 3D creates high quality 3D models and AR content from existing 2D photographs using artificial intelligence. The product creates models quickly and at a price point attractive to merchants regardless of size. Once a 3D model is created and integrated into a merchant's website, a shopper can scan a QR code to view the 3D model through their mobile phone or tablet. The customer can then move or turn the 3D model, even placing it in a specific location. These AR capabilities provide significant benefits to both retailer and consumer on all types of purchases including furniture, appliances, lamps and lighting as well as a variety of other household products. When consumers can access 3D models of goods, it increases engagement, boosts sales conversion by as much as 94.0% and dramatically reduce costly returns. We believe these benefits are particularly valuable in the e-commerce space. In January, the company began providing access to ARitize 3D on e-commerce platform Shopify and continues to work to integrate 3D modeling with additional e-commerce platforms. Readers of this report can view multiple 3D model examples which are accessible through QR codes within the company's marketing materials and investor presentations. These are available on the company's website.

2) **ARitize Maps.** The company's ARitize Maps product allows customers to spatially map a location and populate it with interactive 3D products, navigation tools, wayfinding, and audio features. This can be used by hospitals, college campuses, corporate offices, transportation hubs, trade shows, real estate agents, or entertainment venues such as museums, stadiums and indoor arenas. The product is available to customers as a managed service or available as an SDK integrated into an existing mobile application.

3) **ARitize Holograms.** Holograms allow a customer to create, share, and view holograms through their smartphone. A hologram of themselves can be created as easily as taking a self-portrait on their mobile phone. The hologram can then be integrated into a wide variety of uses including cooking demonstrations, music performances, educational tutorials, product demonstrations and fitness and training. This product can be integrated into an existing mobile application using the company's SDK.

4) **ARitize CAD.** Using ARitize CAD, the company can convert CAD files to 3D models which can be utilized for training, prototyping, and sales and marketing. The process allows for a meaningful improvement in visualization capabilities, often making the manufacturing process more efficient, reducing costs. This can also allow manufacturers to bypass 2D photography by going direct from CAD to a 3D customer-centric model. These models can also be used for animations, test configurations, internal and external training, and product marketing.

5) **ARitize Labs.** While the company's efforts are largely targeted at the e-commerce space, the company's 3D and AR technologies have multiple use cases in less traditional channels. This includes education with ARitize Labs. The product is effective in both remote learning environments fostering greater participation and student exploration. Carnegie Mellon University and the University of South Florida both currently utilize ARitize Labs. Some examples include cruelty free animal dissection, allowing students to virtually dissect a variety of animals for education purposes.

6) **ARitize CPG.** ARitize CPG utilizes several the company's other product capabilities including 3D modeling, AR solutions, and holograms to create individual consumer experiences with consumer-packaged goods. An example may be providing a QR code on product packaging, when scanned brings a hologram explaining how to use the product, or a description of ingredients or materials used. We believe this type of activity can build both customer loyalty and improve brand awareness driving new and repeat sales activity.

7) **Maps D.** The company's Map D product is a self-serve event management tool which aids in a customer's ability to sell floor space, secure sponsorships, and deliver a companion mobile application for in-person attendees. The product simplifies event planning by delivering a more user-friendly experience which looks more like an online shopping experience.

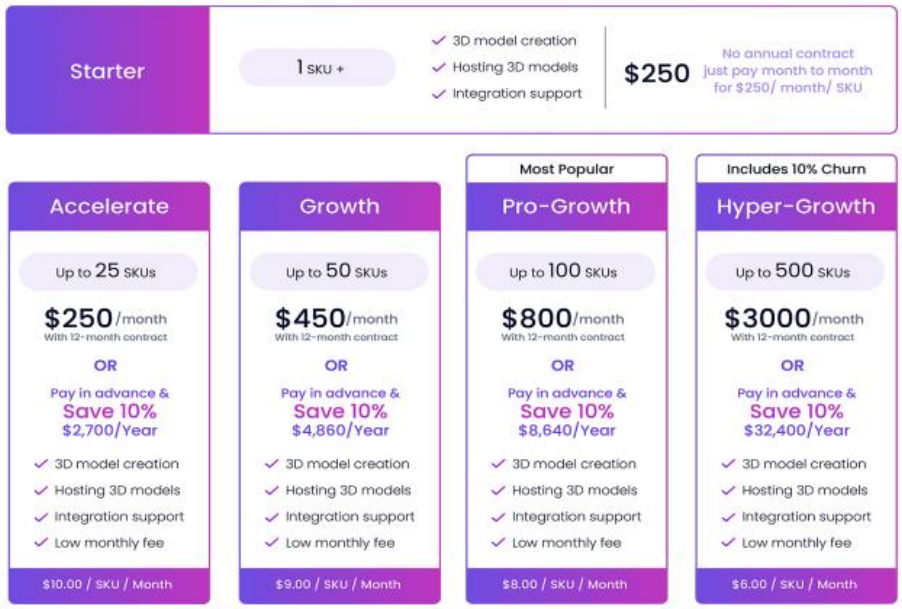
8) **ARitize Events 3D.** As the product name suggests, ARitize Events 3D is a virtual events platform which can be utilized for digital product launches, online learning, or 3D product showcases. In addition, the product has multi-language options, allowing for greater reach with attendees. Users can create a floorplan, exhibitor booths, and poster sessions with the help of a professional events team made up of design experts and consultants. This is sold as a managed service.

9) **ARitize Ads.** Utilizing the company's 3D and AR technology, NexTech provides agencies an attractive platform for creating and publishing 3D advertisements for a wide variety of products and services. This may include embedding a fully interactive hologram into existing ad banners. The technology is also compatible with social platforms including Google, Facebook, Snapchat and Instagram extending the reach to potential customers. Further, the company's ad platform increases customer engagement within the banner ads, allowing a consumer to grab, turn, or spin the advertised product. Last, the product can provide real-time analytics helping merchants better allocate marketing spend.

In our view, the most significant competitive advantage NexTech holds over peers is access to artificial intelligence technology to create 3D models more quickly and at a meaningfully lower price point than competitors. This allows the company to price its product in a way which is attractive to retailers of all sizes and provides a scalable solution for the company's customers. The company offers both ad-hoc 3D model projects which can be purchased with no annual contract for USD$250 per month. This includes 3D model creation, hosting of 3D models, and ongoing integration support. The company also offers additional pricing packages based on volume of models requested. These packages start at USD$10 per SKU per month for up to 25 SKUs, or USD$250 per month total to up to 500 SKU models for USD$3,000 per month. In addition, the company offers its customers a 10.0% discount for advanced payment.

As previously discussed in this report, the company offers a wide breadth of ancillary services, which in conjunction with 3D model creation and hosting, are available through the company's Metaverse Studio. These additional AR solutions are generally priced as a managed service and often cost as much if not more than the initial model. However, we suspect, that over time, the company is likely to adapt pricing to meet market demand. This may include a full subscription to the Metaverse Studio, which could include all the company's offerings for a single monthly cost. In our view, the ability to add ancillary services greatly improves the value-add to customers as well as creates additional high margin, recurring technology revenue. Further, as 3D modeling becomes more commoditized, the differentiated product uses should serve as a differentiator versus peers.

Attractive Pricing Provides Scalable Solution for 3D Modeling



Source: Company presentation.

Merger and acquisition strategy. Historically, the company has used acquisitions as a means of acquiring new product capabilities as well as enhancing the current technology stack. In June 2021, the company completed the acquisition of Threedy.ai Inc. in an all-stock transaction valued at C$9.5M. Deal multiples were not disclosed. Threedy.ai is a Silicon Valley based artificial intelligence company, whose technology when combined with NexTech's AR platform allows for the efficient conversion of 2D objects to high quality 3D models. The combination accelerates the ability to create 3D models in mass production, creating thousands of models within a single week. Threedy.ai had already been working with current NexTech customers Pier 1 and K-Mart Australia to help create an AR shopping experience. Moving forward, we expect the company to continue to use acquisitions to access new revenue opportunities with technology that compliments the company's current offerings. However, we do not believe any transaction announcements are imminent.

Investment Overview

Our investment thesis on NexTech AR Solutions Corp. shares is driven by five points: (1) A.I. enabled 3D modeling technology and breadth of AR services a differentiator versus peers; (2) new e-commerce partnerships are expected to accelerate high margin technology revenue growth in 2H22 and 2023; (3) ongoing cost reductions to accelerate path to profitability; (4) shift towards subscription service model should provide improved revenue and earnings visibility; and (5) potential NASDAQ uplisting should improve exposure and open a door to new investors.

1. A.I. enabled 3D modeling technology and breadth of AR services a differentiator versus peers. Through a combination of acquisition and internal development, NexTech has successfully built a leading technology stack in the 3D modeling and augmented reality space. Through artificial intelligence, the company can turn 2D photographs or CAD files into high quality 3D models, which can be utilized by retailers, educators, manufacturers, and marketing agencies. The ability to use AI in model creation is a significant differentiator versus peers as it greatly reduced both development costs and time required for model production. This allows the company to mass produce what had previously been a craft product, now producing thousands of 3D models in a week. Previously, the creation of a 3D model could take multiple weeks to complete and cost hundreds of dollars per model. However, though the company's ARitize technology, NexTech can create and host models at a far more reasonable price point, allowing smaller retailers, utilizing e-commerce platforms, to access 3D models. In addition, larger retailers can now add 3D models to hundreds, or thousands, of products in a short amount of time. The company is already working with several large retailers including Pier1, K-Mart Australia, and CB2, the more budget friendly subsidiary of home goods retailer Crate & Barrel.

Further differentiating the company versus peers, NexTech has built a series of interconnected capabilities which further enhance the value proposition for customers of its modeling and AR solutions. Through the Metaverse Studio, customers can access additional capabilities including AR supported holograms, advertising, configurator, mapping, and events. These ancillary solutions greatly enhance the user experience by creating more interaction with the product. As a result, retailers utilizing these products have seen meaningfully higher sales conversion rates and fewer costly returns. For example, the company's technology allows an online shopper to access a 3D model through a QR code. Then, through the shopper's smart phone configure the object and place a scaled version of that product in front of them. They can then turn the model 360 degrees or in the case of furniture, place that model in a location within their home.

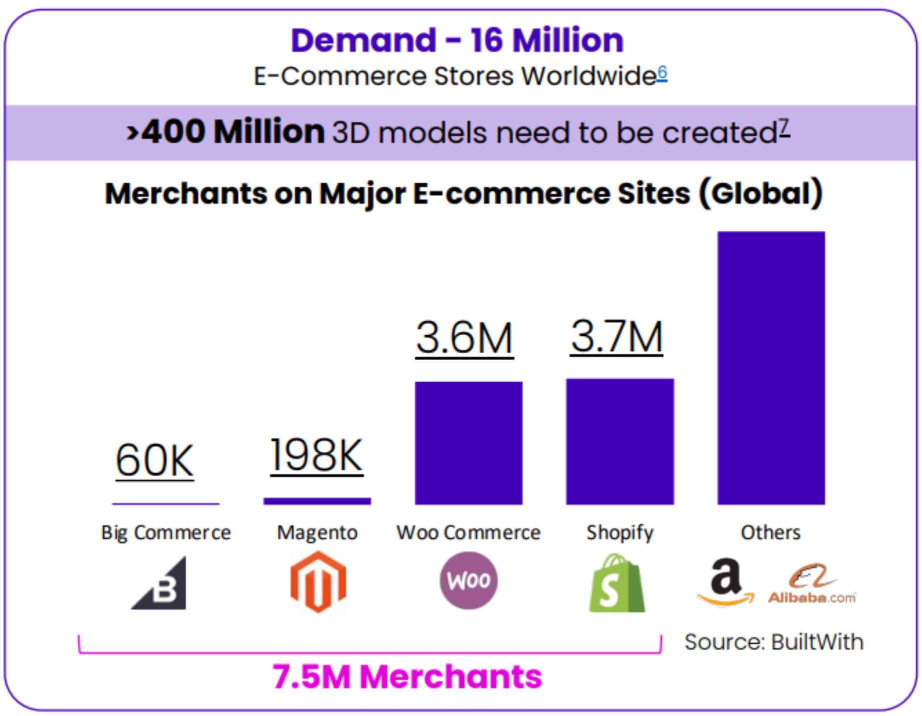
Additional capabilities include the use of holograms for marketing or educational purchases creating a more interactive experience with the end user. This could be a hologram of a celebrity chef providing recipes for use with certain food product, by accessing a QR code on the box or can. We believe these ancillary products serve as a meaningful differentiator and should drive increased wallet share of the current customer footprint over time. In a recent investor update webcast, NexTech indicated that as many as 50% of customers that request 3D models return within 30 days to request access to some of these additional services. In many cases, the additional upsell costs the customer as much or more than the initial 3D models. The interconnection of these products can provide not only recurring SaaS revenue from model creation and hosting but also additional opportunities to increase wallet share within the customer footprint. It is these additional services that should continue to separate NexTech from other existing providers of 3D models.

2. New e-commerce partnerships expected to accelerate higher margin technology revenue growth in 2H22 and 2023. In January 2022, the company launched its ARitize 3D SaaS offering within Shopify's merchant application. Shopify merchants can now generate 3D models of merchandise or utilize the company's full augmented reality solutions, through the Metaverse Studio. This compares to peers on the Shopify platform that either utilize links to manufacturer websites or outsource modeling which can take several weeks to turn around. In addition, the full suite of AR products surpasses any competitor capabilities and provides, in our view, a much stronger connection to the end user than a 3D model alone. While early in the program, we believe this partnership could serve as a significant catalyst in driving meaningful demand for the company's 3D models and augmented reality solutions. In addition, we believe integration into Shopify and additional e-commerce platforms represent a meaningful head start for NexTech and a significant barrier to entry for potential competitors.

Shopify, Inc. currently serves more than 3.7M websites creating a significant pool of new potential customers for NexTech's 3D models and AR solutions. Similarly, on February 8, 2022, the company announced it has reached an agreement to supply Singapore based SHOPLINE, Asia's largest smart commerce platform, with the company's 3D modeling and augmented reality solutions. SHOPLINE works with more than 350,000 merchants worldwide. In the coming months, we expect additional announcements with other large e-commerce platforms, including BigCommerce, Magento, WooCommerce, and potentially Amazon.com and Alibaba.com. In total, the company believes there are approximately 16.0M e-commerce stores worldwide representing as many as 400.0M SKUs that would benefit from 3D modeling. Between 3D Models and associated AR products, the company believes the total addressable market is likely more than $100.0B annually.

As 3D modeling and AR solutions are integrated into these large e-commerce platforms, we believe merchants should recognize the meaningful ROI on these solutions and increase the number of SKUs over time. The ROI is driven largely by higher conversion rates and a meaningfully lower rate of costly product returns. According to the National Retail Federation, e-commerce returns cost U.S. merchants approximately $170.0B annually, or 30.0% of the $565.0B in e-commerce sales. Globally, e-commerce returns represent approximately $1.5T. With the addition of 3D modeling, and NexTech's AR solution, consumers can sample the product prior to purchasing, reducing product returns by as much as 40.0%. In addition, the ability to sample product through AR provides a unique user experience leading to higher sales conversion rates and product loyalty.

Significant Demand and Opportunity for 3D Modeling Within E-Commerce



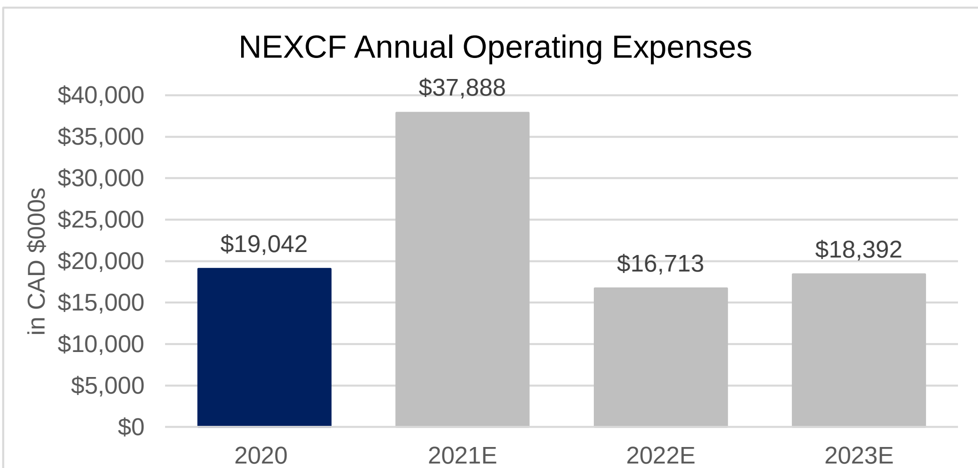
Source: Company presentation.

3. Recent reductions in operating expenses drive operating leverage and path to profitability. As the business transitions towards a software and technology solutions provider, the company has been aggressive in unwinding COVID-19 period investment in its virtual events platform. This includes a meaningful reduction in headcount and marketing expense. Company management is now targeting

C$1.0M in monthly operating expenses, or an annual run-rate of C$12.0M. This compares to expected 2021 operating expense of C$37.9M. However, these lower levels of operating expense are more consistent with pre-COVID-19 operating costs. While we view management's target as somewhat aggressive given the business is likely to require some additional growth investment, we believe the meaningful reduction in operating costs should accelerate the company's path to profitability. We are currently modeling 2022 operating expense of C$16.7M, modestly higher than management's current C$12.0M target. On increasing revenue growth, and a reset in operating expense, we believe the company is positioned to begin delivering positive quarterly EBITDA as early as 2023.

In our view, investors may be surprised by the extent of the cost cutting, despite management being relatively open in discussing their operating expense target. When the company reports full 2021 operating results later this month, we believe investors should start to recognize the potential operating leverage in the business model as revenue scales and gross margin improves. As the company begins to demonstrate meaningful revenue growth, we believe investors should begin to identify a timeline to achieve consistent profitability. This improvement in visibility should begin to attract new investors to NEXCF shares, in our view.

Operating Expense to Return to Historical Levels



Source: Company reports and H.C. Wainwright & Co. estimates.

4. Transition towards subscription model should provide improved revenue and earnings visibility. Historically, the company has generated revenue from retail product sales through its e-commerce platforms and the hosting of virtual events during the COVID-19 pandemic. However, following recent acquisitions and the launch of its 2D to 3D modeling technology in 4Q21, the future growth is expected to be driven entirely by the company's 3D modeling and augmented reality solutions. By year-end 2022, we believe the company should be generating as much as C$1.0M per month in 3D model revenue, which is generally priced on a 12-month contract basis. With as many as 400.0M products believed to benefit from 3D modeling, we expect the company to show a meaningful acceleration in growth into 2023 as adoption rates increase, especially with the addition of new e-commerce channels. By year-end 2023, we do not believe it would be unreasonable for the company to create and host 3D models on 500,000 SKUs. At C$10.0 per product per month, this should generate annual run-rate revenue of C$60.0M.

Given the 12-month structure of the 3D model hosting contracts, we believe the company and investors, should have meaningfully better visibility into both quarterly revenue growth and timeline for profitability. This improvement in visibility should be welcomed by investors as the level of uncertainty versus expectation is reduced. In addition, we believe the improvement in visibility should allow the company's management team to consider providing quarterly, or even annual guidance. As results become more predictable, we believe investors may being to pay a higher multiple on NEXCF shares.

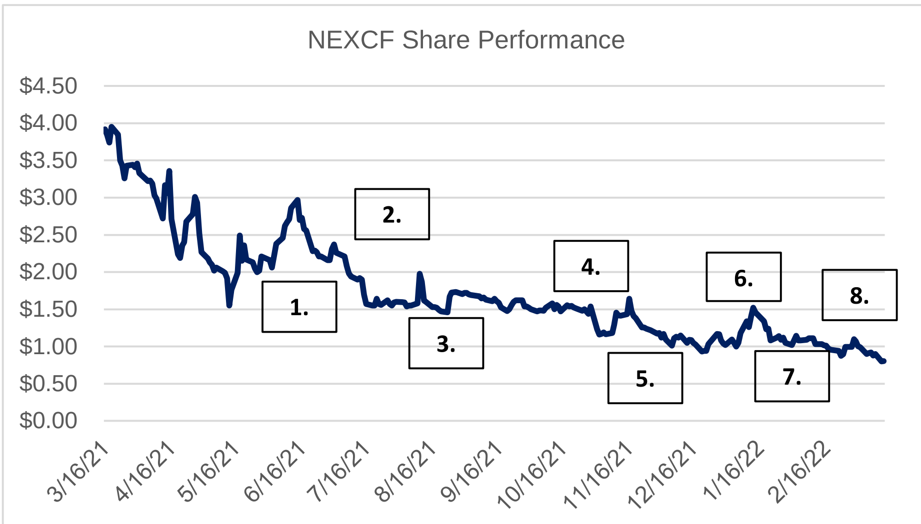
5. Potential Nasdaq uplisting should improve exposure and open the door for new investors. As recently as an investor webcast held on March 8, 2022, company management indicated that the company is currently in talks with NASDAQ regarding a potential uplisting of shares. We believe an uplisting is likely to occur in 2022 as the company has made a series of operating decisions to best position the company for NASDAQ approval. This includes an upgrade, in our opinion, of the company's auditor, announced in October 2021. In addition, the company recently strengthened its balance sheet through a C$10.0M direct offering.

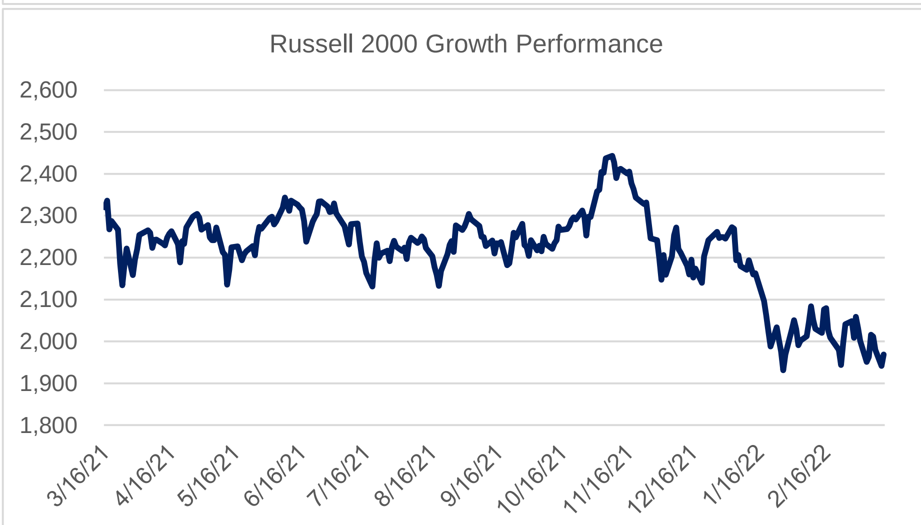
While the uplisting may not come as a surprise for many investors, as the plan has been previously communicated, we do believe a national listing should provide a meaningful benefit to both current and future NEXCF shareholders. Importantly, we believe a national listing could open shares to new institutional investors, many of which do not have a mandate to invest in OTC securities, or may have restrictions around liquidity, which could be resolved once shares are NASDAQ listed. In addition, given the company's growth and margin profile, we expect additional interest from the sell-side community, which should further serve to educate investors and increase exposure to the NexTech story. This could potentially drive trading volume and improve liquidity in shares. Last, we believe having NASDAQ listed shares to use as acquisition currency may help further accelerate growth through additional, and potentially larger acquisitions. Once announced, we believe the uplisting should serve as a meaningful catalyst in re-rating NEXCF shares.

Stock Performance

Shares of NexTech AR Solutions Corp. have decreased 78.5% over the last 52 weeks relative to a 11.2% decrease in the Russell 2000. We believe the underperformance versus the index is the result of multiple factors. This includes share dilution from additional issuance as well as headwinds facing small capitalization technology companies as businesses that have yet to show positive EBITDA, or earnings, have seen significant multiple compression over the past 12 months. However, we believe NexTech is positioned to deliver meaningful acceleration in higher margin, higher visibility SaaS and solutions revenue over the coming 24-months. This should provide a clear path towards profitability as early as 2H23. As the company begins to deliver meaningful high-margin revenue growth and continues to provide positive news flow, including additional partnership announcements with e-commerce providers, we expect NEXCF shares to outperform the small cap indices through the remainder of 2022 and 2023. In addition, we believe the potential uplisting of NEXCF shares to the NASDAQ later this year could also serve as a powerful catalyst, increasing the number, and quality, of potential investors.

52-Week Stock Performance, NEXCF Stock Price, and Russell 2000 Index





Source: Factset as of March 16, 2022.

Listed below are select news items and developments that may have affected the stock over the last year:

1. **June 22, 2021.** The company announced it has acquired Threedy.ai Inc., a provider of 3D AI modeling for e-commerce. The transaction was valued at $9.5M in an all-stock agreement. The technology allows one to take a photo and convert it to a high-resolution 3D image within minutes and have that item displayed on a mobile device in augmented reality.

2. **August 24, 2021.** The company announced it has been selected as an early access partner for the Google 3D AR Search Program.

3. **October 19, 2021.** The company announced it has finalized a change in auditor to better align with the company's U.S. Exchange uplisting goal. We believe achieving a U.S. listing on a primary exchange is a strategic goal for 2022 and could serve as a meaningful catalyst in attracting new potential investors.

4. **November 3, 2021.** The company announced it has completed a C$5.0M private placement offering with an institutional investor. The company issued 3,030,304 common shares and warrants to purchase up to an aggregate of 1,515,152 common shares at a purchase price of CAD $1.65 per common share and associated one-half of one warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of CAD $1.92 for a period of three years following the issuance date.

5. **December 21, 2021.** The company announced it has signed a multi-year virtual event and marketplace contract with Restaurants Canada. Restaurants Canada is the largest foodservice organization in Canada with over 30,000 members. This deal utilizes NexTech's virtual events and Metaverse Studio as a managed service, which includes 3D AR booths, human holograms, 3D AR product experiences, and augmented reality ads. The company also plans to build a "metaverse marketplace" which allow members and vendors to virtually meet with one another and see all products and services under one umbrella.

6. **January 20, 2022.** The company's 3D modeling and augmented reality application goes live within the Shopify app store, with pricing starting at USD$250 for a single model, per month. Meaingful discounts for volume or signing of an annual contract are available can bring the price down to as low as USD$6 per SKU, per month. More than a million Shopify merchants can now access these 3D model and AR solutions with one click integration at an affordable price with the ability to scale.

7. **January 25, 2022.** The company announced it has completed a C$10.0M private placement offering with an institutional investor. The company issued 8,130,082 common shares and warrants to purchase up to an aggregate of 8,130,082 common shares at a purchase price of CAD $1.23 per common share and associated warrants. We believe the company now has the capital to support operations until the company begins to generate meaningful cash on its own.

8. **February 8, 2022.** The company announced a partnership with SHOPLINE, Aisia's largest smart commerce platform. The agreement now allows SHOPLINE to provide its hundreds of thousands of merchants access NexTech's 3D modeling and augmented reality solutions.

Valuation

We are valuing shares of NexTech AR Solutions Corp. at $2.50, or approximately 7.0x EV/revenue on our 2023 revenue estimate of $40.0M. Our $2.50 price target represents approximately 200.0% upside from the recent trading price of $0.85 per share. We believe a multiple on revenue is most appropriate given the business is just beginning to scale operations and continues to add new customers and expand business within the current customer footprint. In addition, the industry for 3D modeling, AR solutions and metaverse remain largely nascent currently. As the business begins to scale, we believe the company should begin to generate positive EBITDA and positive bottom-line results on a consistent basis beginning in late 2023.

Price Target Build Up

EV/Revenue Valuation:	
2023 Revenue	40,049
Revenue Multiple	7.0x
Value	280,346
Debt	0
Cash	15,000
Share Count	94,656
Implied Share Value in CAD	$2.80
USD/CAD	1.27
Implied Share Value in USD	**$2.50**

Source: Factset as of March 16, 2022 and H.C. Wainwright & Co. estimates.

Admittingly, we believe our price target and valuation methodology could prove to be overly conservative should the company be able to execute on its current growth plan, which would likely drive revenue exceeding our expectations. Further, should the company be able to deliver positive EBITDA or even bottom-line earnings ahead of expectations, we believe an acceleration in the re-rating of NEXCF shares is possible. Last, we believe the company's exposure to the metaverse, could drive a premium multiple as investors look for opportunities to get involved in this area which has been identified by many as the next logical step in the digital economy.

Revenue in our model is being driven by accelerating growth within technology services and renewable software license reporting segments. This growth more than offsets declining revenue in legacy e-commerce product sales as company resources are reallocated to higher growth, higher margin opportunities. We are currently modeling 2022 revenue of C$30.4M, up from an estimated C$25.9M in 2021, consistent with the company's preliminary 4Q21 results. Revenue growth accelerates to 31.6% in 2023 to C$40.0M as monetization of the company's 3D modeling and AR solutions improve following recently announced partnerships with e-commerce platforms, such as Shopify. The growth in revenue is driven by a combination of new modeling SKUs as well as a meaningful percentage of customers adding ancillary services from the Metaverse Studio. Over time, we believe the company could potentially exit its legacy retail business lines to focus solely on its Metaverse Studio, which includes the 3D modeling and augmented reality services. As the revenue mix begins to shift in favor of higher margin technology services and renewable software licenses, we expect meaningful gross margin expansion. We are currently modeling 2022 gross margin of 35.7%, down from 37.9% in 2021. However, we expect these margins to expand 320bps to 38.9% in 2023 as the business scales. Over time, the next three to five years, we believe gross margins could reach, or even exceed 60.0%. This would be consistent with high quality SaaS and technology solution providers.

Following the acquisition of Threedy.ai Inc in 2021 and recent investment in the business, we believe much of the cost structure necessary to support growth is in place. As a result, we do not anticipate a meaningful ramp in operating expenses in the coming years. In fact, we expect a significant decline in operating costs in 2022 following recent reductions in headcount and marketing, largely associated with the company's legacy business lines. As a result, we believe operating costs and the margin profile are likely to be more reflective of a highly scalable software company. This should accelerate the company's ability to deliver positive EBITDA and earnings. We are currently modeling 2022 operating expense of C$16.7M, down 55.9% from estimated 2021 levels of C$37.9M and compares to a 15.5% increase in estimated revenue. In 2023, we expect expense growth to normalize between 10.0% and 15.0%, to support top line growth.

We are modeling full year EBITDA losses for 2022 and 2023 of C$5.9M and C$2.8M, respectively. However, we expect the company to achieve EBITDA breakeven during the second half of 2023 and enter 2024 with the expectation for positive full year EBITDA. Should the company be successful in lowering monthly operating costs to C$1.0M per month, ahead of our expectation, we would expect consistent positive EBITDA ahead of our current forecast. As the company begins to demonstrate its ability to move towards, and achieve quarterly profitability, we believe investors are likely to take a more constructive view on NEXCF shares.

Public comparables. For valuation purposes, we are currently comparing NexTech AR Solutions Corp. shares against other companies which operate in the augmented reality and metaverse space. However, as this space remains largely in its infancy, there are a limited number of companies followed by sell-side analysts, especially for similarly sized peers, making valuation somewhat challenging. In addition, given the company and industry, in our view, are far from maturation, we do not believe a discounted cash flow analysis to be appropriate. Large capitalization technology companies such as Meta Platforms Inc. and Alphabet Inc. are currently involved in the space and trade at 2023 EV/revenue multiples of 3.2x and 4.7x, respectively. However, these companies, while involved in augmented reality are large technology conglomerates in our view and do not necessarily reflect the immediate growth opportunity for NexTech and other smaller capitalization companies working within the space.

Companies with more concentrated exposure to augmented reality and the metaverse, include Vuzix Corporation, which currently trades at more than 10.0x 2023 revenue estimates. Similarly, Matterport, Inc. currently trades at greater than 8.0x 2023 revenue estimates. On the low end, The Glimpse Group, Inc. trades at 2.0x 2023 revenue estimates, a slight premium to where shares of NEXCF trade today. However, this remains well below NEXCF's 52-week high of $4.62, which represents a forward EV/revenue multiple of more than 9.0x. On average, the group trades at an EV/revenue multiple of 6.9x, largely consistent with where we currently value NEXCF shares. However, the median remains closer to 8.0x. Given the underlying business opportunity, we believe NexTech is best positioned of these companies to achieve positive EBITDA in the near-term, which in our view warrants some valuation benefit versus this peer group.

Valuation Comparison Tables

in $ 000's		H.C.W.		Enterprise	2023		2023	
Company	**Ticker**	**Rating**	**Price**	**Value**	**Sales**	**EBITDA**	**EV/Sales**	**EV/EBITDA**
Augmented Reality Peers								
Glimpse Group, Inc.	VRAR	NR	$5.50	48.1	24.6	n/a	2.0x	n/a
Matterport, Inc.	MTTR	NR	$7.27	1,651.5	205.0	(63.5)	8.1x	(26.0x)
Phunware, Inc.	PHUN	Buy	$2.59	246.4	33.4	(4.0)	7.4x	(61.6x)
Vuzix Corporation	VUZI	NR	$6.30	276.1	26.6	(20.5)	10.4x	(13.5x)
Average							6.9x	(33.7x)
Median							7.7x	(26.0x)
NexTech AR Solutions, Corp.	**NEXCF**	**Buy**	**$0.85**	**58.4**	**31.2**	**(2.2)**	**1.9x**	**(26.5x)**

Source: Factset as of March 16, 2022, and H.C. Wainwright & Co. estimates.

Industry

Augmented reality is the interactive experience between a real-world environment where real objects are enhanced by computer generated perceptual information. This can be across multiple sensory modalities including visual, audio, or even haptic. Historically, the use cases have been somewhat limited to industries such as gaming or education where expensive equipment was required. However, the rising popularity of mobile devices, including phones, tablets, and even smart glasses have dramatically increased the potential use cases and has helped democratize availability for both providers and users. Augmented reality can now enhance experiences across a wide variety of industries including retail, entertainment, tourism, lower-level education, manufacturing, travel, and hospitality. Use cases may include hologram presentation of product features when scanning a QR code on the back of a piece of packaging or audio commentary at a museum when pointing your phone or tablet at a particular piece of art.

The natural extension of augmented reality is virtual reality and rise of the metaverse which rely on a simulated digital environment to further enhance consumer experiences. Today, the metaverse is somewhat ambiguous given the relatively early stage, however widely accepted principles include 3D social worlds, which exist when the player is not active. Some variation of this is currently being utilized on some gaming platforms including Roblox Corp. Individuals within the metaverse can socialize, participate in commercial transactions and invest through NFT of other digital tokens. According to market research firm Statista, the number of AR users is expected to reach 1.7B in 2024, up from only 440.0M in 2019. While continued growth in AR and VR is widely accepted, the metaverse today is believed to be more than a half trillion-dollar opportunity, as defined by Bloomberg as an aggregate of gaming hardware, gaming software, digital advertising and live experiences in digital worlds.

In recent quarters, investor interest in companies that operate in this space has increased meaningfully. We believe this has in part been driven by the October 28, 2021 announcement that Facebook, Inc. would change its name to Meta Platforms, Inc. This decision highlights the company’s increasing awareness and interest in AR, VR and the metaverse. Similar large investments in digital enhancing technologies are being made by large technology companies including Microsoft Corporation and Google. We believe these investments provide credibility to the future of the metaverse. With the opportunity, as analyzed by Bloomberg Intelligence, expected to surpass $800.0B by 2024, we expect continued investment in the space.

Given the growing opportunity within these digital technologies, companies such as NexTech continue to create value added solutions which enhance consumer experiences. These enhancements, including 3D modeling, holograms, virtual showrooms, augmented reality advertising, and online events drive a more favorable user experience.

Peers

The use of augmented reality and virtual reality have become increasingly popular, expanding from areas such as gaming and education to e-commerce, healthcare, and entertainment. While large technology conglomerates such as Meta Platforms and Google, have begun making meaningful investments in these technologies, we view the company’s peers as smaller providers who have a more meaningful percentage of current and future operations tied directly to the growth of augmented and virtual reality. We highlight several peers below.

Glimpse Group, Inc. Headquartered in New York, NY, The Glimpse Group is a diversified virtual and augmented reality platform company. The company was founded in 2016. Glimpse is comprised of multiple VR and AR software & services companies designed with the purpose of helping companies in the emerging VR/AR industry. The company trades under the ticker symbol VRAR on the NASDAQ. Revenue for 2023 is expected to be $25.0M.

Immersion Corporation. Founded in 1993 and headquartered in San Francisco, California, Immersion engages in the creation, design, development and licensing of patented haptic innovations and software. The firm offers a touch sense platform and design services. Immersion focuses on the following target application areas: mobile devices, wearable, consumer, mobile entertainment and other content, console gaming, automotive, medical, and commercial. The company trades under the ticker symbol IMMR.

Matterport, Inc. Headquartered in Sunnyvale, California, Matterport, Inc. provides digital transformation solutions of the built world. The company's spatial data platform turns buildings into data to improve accessibility and value. More than a million buildings in more than 177 countries have been transformed into immersive Matterport digital 3D twin models. This allows improvement throughout the building lifecycle including planning, construction and operations. The company trades under the ticker symbol MTTR and is expected to generate more than $200.0M in revenue in 2023.

Phunware, Inc. Headquartered in Austin, Texas, Phunware, Inc. engages in the development of a Multiscreen-as-a-Service platform, an enterprise cloud platform for mobile devices. The company's software provides products, solutions, data, and services necessary to engage, manage, and monetize mobile application portfolios and audiences at scale. The platform also allows for the licensing and creation of category-defining mobile experiences for brands. These experiences rely heavily on augmented reality and virtual reality solutions. The company was founded in 2009 and trades under the ticker symbol PHUN.

Vuzix Corporation. Founded in 1997 by Paul Travers, Vuzix Corporation is a supplier of smart-glasses and augmented reality technologies and products for both the consumer and enterprise markets. These products include wearable computing devices that offer a unique augmented reality experience. The company holds approximately 180 patents and multiple IP licenses in the video eyewear field. The company is headquartered in West Henrietta, NY and has shares listed on the NASDAQ under the symbol VUZI. The company is expected to generate $27.0M of revenue in 2023.

Recent Financial Performance

On November 11, 2021, the company reported 3Q21 operating results. The company reported 3Q21 revenue of C$5.7M, up from C$4.7M in the year prior period. The year-over-year increase was driven by a combination of higher demand for product sales through the company's e-commerce channels, as well as the introduction of new technologies, which includes contracts for virtual events, higher education and professional services.

Gross margin was 31.4% in the quarter, down from 63.4% in 3Q20 and down sequentially from 37.6% during 2Q21. The sequential and year over year decline in gross margin was driven in large part by higher inventory costs, a result of the ongoing supply chain crisis. In addition, seasonality resulted in fewer events, while fixed costs remained relatively constant, putting additional pressure on gross margin. Moving forward, we expect a shift in revenue mix, towards higher margin technology and subscription services, as well as some easing in the current supply chain crisis, should result in more favorable margin trends in 2H22 and 2023.

Operating expenses in the quarter totaled C$10.0M, up from C$4.8M in the prior year quarter. The year over year increase was driven by significant investment in the business, including higher headcount and related compensation, professional fees, and increased sales and marketing expense. The company has indicated that it has begun a rightsizing of the business as resource allocation should favor technology and renewable software licenses going forward. As a result, we expect a meaningful near-term decline in operating expenses. Once reset, we expect operating costs to normalize closer to C$1.0M per month. We expect sales and marketing to remain at elevated levels as the company continues to market its AR technology to potential customers. In addition, we believe additional hiring is likely as the business continues to invest in driving future revenue growth.

We calculate an EBITDA loss of C$8.2M for 3Q21, down sequentially from a loss of C$5.9M and well below what we believe is essentially breakeven in 3Q20. We view these results consistent with the current business transition and expect meaningfully reduced operating expenses in future periods as the business is refocused around higher growth, higher margin 3D modeling and AR solutions. An accelerating top line coupled with meaningfully lower operating expenses should drive a significant improvement in EBITDA, including positive, and growing quarterly EBITDA beginning in 2023. Following a subsequent capital raise, we believe the company's cash balance stands at approximately C$15.0M, enough to meet all near-term financial obligations.

3Q21 Financial Summary

in CAD $000s	3Q21	2Q21	3Q20
Revenue	5,738	6,092	4,663
Cost of Revenue	3,936	3,799	1,706
Gross Profit	1,801	2,293	2,957
Gross Margin	*31.4%*	*37.6%*	*63.4%*
Operating Expenses	9,958	8,797	4,834
Operating Income	(8,156)	(6,504)	(1,876)
Operating Margin	*-142.2%*	*-106.8%*	*-40.2%*
EBITDA	(8,731)	(5,948)	248
EBITDA margin	*-152.2%*	*-97.6%*	*5.3%*

Source: Company reports.

On March 8, 2022, the company released preliminary 4Q21 operating results which included revenue of C$6.3M, up sequentially from C$5.7M in 3Q21. The preliminary results were highlighted by an increase in quarterly technology service revenue to C$1.7M, up from C$0.9M in 3Q21. The fourth quarter represents the first full quarter of the company's 3D modeling and AR solutions sales. We expect the company to provide the full quarter's operating results later this month.

Management

Evan Gappelberg, Founder and Chief Executive Officer. Mr. Gappelberg is an accomplished entrepreneur with an expertise in creating, funding and running start-ups, as well as extensive experience both as an operating executive. From 2000 to 2005, Mr. Gappelberg was the co-founder and CEO of EG Products where he funded, patented, imported and distributed the market's first LED light-up toy. He secured license deals from Disney, Universal Studios, Clear Channel Communication and built a national sales channel, setting the foundation to land contracts with Walgreen's, Macy's, and live event shows like Ringling Bros. Mr Gappelberg was also co-founder and CEO of an app development company which created and published over 200 successful apps for both Apple's iTunes store and the Google Play store. Prior to being a successful entrepreneur, Mr. Gappelberg has also worked on Wall Street and has more than 20 years of extensive experience as both a hedge fund manager and Senior Vice President of Finance. Having founded NexTech AR Solutions and having played a critical role in the company's development to-date, we view Mr. Gappelberg as a key contributor in transitioning the business towards a technology provider. IN addition, we believe his industry contacts can be a meaningful benefit in securing additional e-commerce partnerships and contracts with enterprise customers.

Paul Duffy, President. Mr. Duffy began serving as President of NexTech AR Solutions Corp. in 2018, where he leads the team in driving global adoption of augmented reality. Prior to joining NexTech, Mr. Duffy co-founded Corporate Communications Interactive (CCI) in Toronto, Canada in 1992. Over a 17-year period Mr. Duffy grew CCI to one of the largest online learning and interactive communication companies in North America with offices in Toronto Canada, Tampa, Florida and Kansas City, Missouri. The company sold several technology products in the digital media space to highly recognizable companies including AT&T Inc. and Microsoft Corporation. In 2012, Mr. Duffy began developing a scalable, repeatable and transportable holographic display technology for live, multi-point interactive communications. This development led to the founding of ARHT Media, Inc. in 2014. Mr. Duffy holds a Bachelor of Science, Computer Science from Ryerson University. Mr. Duffy's experience AR experience, in our view has been a significant contributor in the development of the Metaverse Studio and should continue to serve as a meaningful benefit to the company moving forward.

Andrew Chan, Chief Financial Officer. Mr. Chan has over 20 years of finance and accounting experience with half of his career serving high-growth, public technology companies. After over a decade in public accounting, including nine years at Ernst & Young, Mr. Chan moved into a senior finance position with Real Matters Inc. and goeasy ltd. both offering technology solutions for the financial services industry. In these roles Mr. Chan was involved in several financings, transactions and acquisitions with an aggregate value of over one billion dollars. Mr. Chan has successfully integrated and led finance-related functional groups including treasury and banking, corporate reporting and budgeting and was instrumental in forging strong relationships with business unit leaders to enable successful revenue forecasting and delivery. Mr. Chan is a Chartered Public Accountant and also holds a Bachelor of Commerce degree specializing in accounting and finance from the University of Toronto.

Risks

Dilution risk. In the future the company may look to raise additional capital through the issuance of common shares. This would dilute the current ownership and negatively impact our current earnings per share expectation and per share price target. In addition, there is the risk the company may be unable to raise capital necessary to pursue the company's current growth strategy.

Foreign currency risk. The company is subject to fluctuations in currency exchange rates. The company provides 3D modeling and AR solutions across North America as well as multiple foreign markets. Further, financial reporting, and much of the company's cost infrastructure is based in Canada. As a result, quarterly and annual operating results may be impacted by currency fluctuations and have a negative impact on reported financial results.

Technology risks. The company relies heavily on its proprietary 3D modeling and AR technology. Should the company's technology fail from software incompatibilities, we believe the company's reputation would be negatively impacted and growth could be severely limited. This could materially impact the operating results of the company.

Industry competition. The company is an early adopter in the use of 3D models and AR solutions for use in e-commerce. However, there are several larger technology companies, with access to meaningfully more resources which could look to enter the space as NexTech begins to demonstrate success. Competitive pressures could result in price reductions, reduced margins, or a potential loss of market share. This could have a material impact on the business, financial, conditions and share price.

Partnership risks. Part of the company's growth strategy is working with large e-commerce platforms, such as Shopify, to allow millions of merchants to access the company's 3D modeling and AR solutions. Should these e-commerce platforms stop promoting NexTech's solutions, or add competing products to the platform, that could challenge the company's current growth projections and have a material negative impact on operating results. In addition, it may take the company longer than expected to announce new partnerships which could impede the company's ability to grow in the near term.

Key personnel. Given proprietary information and business expertise the loss of some key personnel could negatively impact the company's ability to meet performance objectives. Should a key member leave, investors may respond negatively and the price of NEXCF shares could decline.

M&A and integration risk. The company may use M&A as a strategy to enter new markets and add new products. Time used to identify acquisition targets and time used to integrate businesses may distract management from the day-to-day operations of the business. This could potentially have a negative impact on the financial performance of the business and have a negative impact on NEXCF shares.

Execution risk. At times, the company expects to make significant investments in new products and services. There is no guarantee that these new products should resonate with customers and could result in customers reducing purchases of the company's products and services which would have a negative impact on revenue and the company's ability to generate profits.

Share volatility. NexTech AR Solutions Corp. common stock, like many other small capitalization companies, is subject to significant share volatility. Over the course of the last 52 weeks, NEXCF shares have traded as high as $5.41 and as low as $0.79.

OTC listing. Should the company be unable to uplist shares to the NASDAQ Capital Market, we believe the pool of potential investors would remain somewhat limited.

Liquidity risk. Average trading volume in NEXCF shares is approximately 200,000 a day. Low levels of liquidity may make buying or selling NEXCF shares more difficult. This could potentially limit the type of investors willing to get involved with shares.

Publicly traded companies mentioned herein include:

Alphabet, Inc. (GOOG; not rated)
Amazon.com Inc. (AMZN; not rated)
Apple, Inc. (APPL; not rated)
AT&T, Inc. (T; not rated)
BigCommerce Holdings Inc. (BIGC; not rated)
eBay Inc. (EBAY; not rated)
Factset Research Systems, Inc. (FDS; not rated)
Glimpse Group, Inc. (VRAR; not rated)
Goeasy Ltd. (GSY-TSX; not rated)
Macys Inc. (M; not rated)
Matterport, Inc. (MTTR; not rated)
Meta Platforms, Inc. (FB; not rated)
Microsoft Corporation (MSFT; not rated)
Phunware, Inc. (PHUN; Buy; Buck)
Real Matters, Inc. (REAL-TSX; not rated)
Roblox, Corp. (RBLX; not rated)
Shopify, Inc. (SHOP; not rated)
Target Corporation (TGT; not rated)
Vuzix Corporation, (VUZI; not rated)
Walt Disney Company (DIS; not rated)
Walgreens Boots Alliance Inc. (WBA; not rated)

NexTech AR Solutions Corp.: Income Statement

NexTech AR Solutions Corp. Model - NEXCF
H.C. Wainwright & Co., LLC
(Canadian dollar $000s); December Year-End

Fiscal Year	2019			2020					2021					2022			2023
in $ 000's	**2019E**	**1Q20A**	**2Q20A**	**3Q20A**	**4Q20A**	**2020A**	**1Q21A**	**2Q21A**	**3Q21A**	**4Q21E**	**2021E**	**1Q22E**	**2Q22E**	**3Q22E**	**4Q22E**	**2022E**	**2023E**
Revenue																	
Product Sales		2,446	3,098	3,810	4,579	13,933	6,009	4,431	4,580	4,213	19,232	3,305	4,209	4,351	4,128	15,993	14,818
Technology Services		46	187	763	2,421	3,418	1,350	1,371	931	1,660	5,313	1,900	2,425	3,364	5,200	12,889	23,125
Renewable software licenses		0	244	90	2	335	367	290	226	430	1,314	331	406	283	538	1,557	2,107
Gross revenue	4,004	2,492	3,529	4,663	7,002	17,686	7,727	6,092	5,738	6,303	25,859	5,536	7,040	7,998	9,866	30,440	40,049
Cost of revenue	1,656	1,144	1,359	1,706	3,626	7,835	4,412	3,799	3,936	3,908	16,055	3,820	4,646	5,199	5,920	19,584	24,487
Net revenue	2,348	1,348	2,170	2,957	3,376	9,851	3,314	2,293	1,801	2,395	9,803	1,716	2,394	2,799	3,946	10,855	15,562
Gross margin	*58.6%*	*54.1%*	*61.5%*	*63.4%*	*48.2%*	*55.7%*	*42.9%*	*37.6%*	*31.4%*	*38.0%*	*37.9%*	*31.0%*	*34.0%*	*35.0%*	*40.0%*	*35.7%*	*38.9%*
Operating expenses:																	
Sales and marketing	2,608	1,419	1,369	3,146	3,676	9,609	4,640	4,048	4,359	3,860	16,906	1,160	1,214	1,308	1,544	5,226	5,845
General and administrative	1,762	709	1,808	640	2,684	5,841	3,748	3,418	3,735	2,952	13,853	2,249	2,735	2,241	2,214	9,438	10,338
Research and development	721	239	265	1,048	2,039	3,592	1,793	1,331	1,864	2,141	7,129	448	399	559	642	2,049	2,209
Total costs and expenses	5,092	2,367	3,442	4,834	8,398	19,042	10,181	8,797	9,958	8,953	37,888	3,857	4,348	4,108	4,400	16,713	18,392
Operating income	(2,744)	(1,020)	(1,272)	(1,876)	(5,022)	(9,191)	(6,867)	(6,504)	(8,156)	(6,557)	(28,085)	(2,141)	(1,954)	(1,309)	(454)	(5,858)	(2,830)
EBITDA	**(2,744)**	**(1,020)**	**(1,272)**	**(1,876)**	**(5,022)**	**(9,191)**	**(6,867)**	**(6,504)**	**(8,156)**	**(6,557)**	**(28,085)**	**(2,141)**	**(1,954)**	**(1,309)**	**(454)**	**(5,858)**	**(2,830)**
EBITDA margin	***-116.9%***	***-75.6%***	***-58.6%***	***-63.5%***	***-148.8%***	***-93.3%***	***-88.9%***	***-106.8%***	***-142.2%***	***-104.0%***	***-108.6%***	***-38.7%***	***-27.8%***	***-16.4%***	***-4.6%***	***-19.2%***	***-7.1%***
Other expense (income)																	
Stock based compensation	391	268	597	2,124	2,676	5,665	2,403	556	(574)	800	3,185	2,000	600	600	400	3,600	3,500
Amortization	190	88	132	189	262	672	380	179	683	650	1,892	600	600	600	600	2,400	3,200
Right of use amortization	0	0	0	0	0	0	(219)	45	65	75	(35)	75	75	75	75	300	300
Gain on digital assets	0	0	0	0	0	0	28	0	0	0	28	0	0	0	0	0	0
Impairment	69	0	0	0	69	69	0	0	0	0	0	0	0	0	0	0	0
Loss on contingent consideration	0	0	0	0	0	0	0	(1,516)	102	0	(1,414)	0	0	0	0	0	0
Depreciation	22	10	17	25	30	83		32	37	40	109	40	40	40	40	160	160
Foreign exchange gain (loss)	10	2	6	(15)	17	10	(275)	53	(253)	0	(475)	0	0	0	0	0	0
Total other income	682	368	753	2,324	3,055	6,500	2,317	(650)	60	1,565	3,292	2,715	1,315	1,315	1,115	6,460	7,160
Income (loss) before income taxes	(3,426)	(1,388)	(2,025)	(4,200)	(8,078)	(15,691)	(9,184)	(5,854)	(8,217)	(8,122)	(31,377)	(4,856)	(3,269)	(2,624)	(1,569)	(12,318)	(9,990)
Income tax provision	0	24	24	24	24	97	0	0	0	0	0	0	0	0	0	0	0
Net Income	(3,426)	(1,363)	(2,001)	(4,176)	(8,053)	(15,594)	(9,184)	(5,854)	(8,217)	(8,122.5)	(31,377)	(4,855.9)	(3,269.4)	(2,623.7)	(1,568.7)	(12,318)	(9,990)
Net Income Margin %																	
Other comprehensive income:																	
Exchange difference on translating foreign operations	0	488	(309)	(195)	(237)	(253)	(52)	(65)	414	0	296	0	0	0	0	0	0
Comprehensive income (loss)	(3,426)	(875)	(2,310)	(4,371)	(8,290)	(15,846)	(9,236)	(5,919)	(7,803)	(8,122)	(31,081)	(4,856)	(3,269)	(2,624)	(1,569)	(12,318)	(9,990)
Basic Earnings Per Share	**($0.06)**	**($0.01)**	**($0.04)**	**($0.06)**	**($0.11)**	**($0.23)**	**($0.12)**	**($0.07)**	**($0.09)**	**($0.09)**	**($0.37)**	**($0.05)**	**($0.03)**	**($0.03)**	**($0.02)**	**($0.13)**	**($0.10)**
Diluted Earnings Per Share	**($0.06)**	**($0.01)**	**($0.04)**	**($0.06)**	**($0.11)**	**($0.23)**	**($0.12)**	**($0.07)**	**($0.09)**	**($0.09)**	**($0.37)**	**($0.05)**	**($0.03)**	**($0.03)**	**($0.02)**	**($0.13)**	**($0.10)**
Average Shares Outstanding (Basic)	58,291	61,379	65,713	71,979	75,558	68,657	77,490	82,298	86,125	86,556	83,117	90,606	94,656	95,129	95,605	93,999	96,806
Average Shares Outstanding (Diluted)	58,291	61,379	65,713	71,979	75,558	68,657	77,490	82,298	86,125	86,556	83,117	90,606	94,656	95,129	95,605	93,999	96,806
Operating Metrics																	
Revenue Growth	n/a	n/a	n/a	n/a	n/a	319.6%	145.9%	5.7%	-39.1%	-29.1%	-0.5%	-48.2%	4.4%	55.4%	64.8%	10.7%	43.4%
Price	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88	$0.88
Market Capitalization (CAD$000s)	$51,296	$54,013	$57,827	$63,342	$66,491	$66,491	$68,191	$72,423	$75,790	$76,169	$76,169	$79,733	$83,297	$83,714	$84,132	$84,132	$85,827
Enterprise Value (CAD$000s)	$48,447	$51,703	$51,545	$46,954	$55,806	$55,806	$60,291	$57,028	$67,532	$66,180	$66,180	$67,340	$72,516	$74,663	$75,869	$75,869	$83,465
Price-to-Earnings	n/a	n/a	n/a	n/a	-4.8x	-4.0x	-2.7x	-1.9x	-2.0x	-2.3x	-2.3x	-2.8x	-3.2x	-4.2x	-6.7x	-6.7x	-8.5x
EV to EBITDA	-17.7x	-3.7x	-4.7x	-5.6x	-5.1x	-5.1x	-4.0x	-2.8x	-2.3x	-2.4x	-2.4x	-2.9x	-3.9x	-6.2x	-13.0x	-13.0x	-29.5x
Shareholders Equity	7,066	7,593	12,050	23,947	22,419	22,419	17,399	32,668	25,467	27,098	27,098	29,719	27,272	25,479	24,750	24,750	18,201
Net Debt	(2,849)	(2,310)	(6,282)	(16,388)	(10,685)	(10,685)	(7,900)	(15,395)	(8,259)	(9,989)	(9,989)	(12,393)	(10,781)	(9,051)	(8,263)	(8,263)	(2,362)

Source: Factset as of March 16, 2022 and H.C. Wainwright & Co. estimates.

NexTech AR Solutions Corp.: Balance Sheet

NexTech AR Solutions Corp. Model - NEXCF
H.C. Wainwright & Co., LLC
(Canadian dollar $000s); December Year-End

Fiscal Year	**2019**			**2020**					**2021**					**2022**		**2023**
in $ 000's	**2019E**	**1Q20A**	**2Q20A**	**3Q20A**	**4Q20A**	**2020A**	**1Q21A**	**2Q21A**	**3Q21A**	**4Q21E**	**2021E**	**1Q22E**	**2Q22E**	**3Q22E**	**4Q22E**	**2022E**	**2023E**
Assets																	
Current																	
Cash	2,849	2,310	6,282	16,388	10,685	10,685	7,900	15,395	8,259	9,989	9,989	12,393	10,781	9,051	8,263	8,263	2,362
Digital assets	0		0		2,546	2,546	0	0	0		0	0	0	0	0	0	0
Recievables	404	621	264	1,132	1,313	1,313	2,096	1,098	1,895	1,990	1,990	2,189	1,751	2,014	2,115	2,115	2,247
Contract asset			0	97	244	244	360	337	268	271	271	273	276	279	282	282	293
Prepaid expense		220	196	320	1,354	1,354	1,745	1,307	895	904	904	927	936	945	955	955	1,008
Inventory	1,354	1,598	1,681	2,745	3,212	3,212	4,674	4,068	4,582	3,436	3,436	3,608	3,428	3,256	2,605	2,605	1,975
Total current assets	4,807	4,749	8,424	20,682	19,354	19,354	16,775	22,205	15,898	16,590	16,590	19,390	17,171	15,545	14,219	14,219	7,886
Equipment	147	137	242	277	301	301	337	375	368	371	371	379	371	382	386	386	402
Right-of-use asset	0		0	1,116	1,035	1,035	992	1,182	1,148	1,159	1,159	1,182	1,159	1,193	1,205	1,205	1,253
Intangible assets	1,421		2,251	2,442	3,500	3,500	3,090	7,015	7,239	7,239	7,239	7,239	7,239	7,239	7,239	7,239	7,239
Goodwill	2,263	3,927	3,997	4,212	4,887	4,887	4,848	7,416	7,832	7,832	7,832	7,832	7,832	7,832	7,832	7,832	7,832
Total assets	8,637	8,814	14,914	28,729	29,076	29,076	26,042	38,193	32,486	33,193	33,193	36,023	33,773	32,193	30,883	30,883	24,612
Liabilities																	
Current liabilities																	
Accounts payable and accrued liabilities	1,474	1,050	1,748	2,052	2,527	2,527	3,976	2,433	3,833	3,258	3,258	3,421	3,506	3,594	2,875	2,875	2,537
Deferred revenues - short term	0			526	383	383	1,193	1,440	1,573	1,731	1,731	1,817	1,953	2,100	2,257	2,257	2,945
Lease liability				116	151	151	148	237	289	289	289	289	303	319	335	335	387
Contingent Consideration	0	98	1,067	1,067	2,718	2,718	2,490	472	463	0	0	0	0	0	0	0	0
Total current liabilities	1,474	1,148	2,816	3,762	5,779	5,779	7,807	4,582	6,158	5,278	5,278	5,527	5,763	6,013	5,467	5,467	5,869
Deferred income tax liability		73	48	24		0											
Lease liability	0			996	878	878	836	943	860	817	817	776	737	701	666	666	542
Total liabilities	1,571	1,221	2,864	4,782	6,657	6,657	8,643	5,525	7,018	6,095	6,095	6,303	6,501	6,713	6,133	6,133	6,411
Shareholders' equity																	
Share capital	15,210	16,552	23,562	37,002	41,969	41,969	43,775	63,816	65,021	74,774	74,774	82,252	83,074	83,905	84,744	84,744	88,185
Convertible debentures		836	0	0													
Reserves	1,407	2,164	2,565	5,736	6,757	6,757	9,114	10,230	10,041	10,041	10,041	10,041	10,041	10,041	10,041	10,041	10,041
Accumulated deficit	(10,577)	(11,959)	(14,078)	(18,791)	(26,307)	(26,307)	(35,490)	(41,378)	(49,595)	(57,718)	(57,718)	(62,574)	(65,843)	(68,467)	(70,035)	(70,035)	(80,025)
	7,066	7,593	12,050	23,947	22,419	22,419	17,399	32,668	25,467	27,098	27,098	29,719	27,272	25,479	24,750	24,750	18,201
Total liabilities and shareholders' equity	8,637	8,814	14,914	28,729	29,076	29,076	26,042	38,193	32,486	33,193	33,193	36,023	33,773	32,193	30,883	30,883	24,612
Cash	2,849	2,310	6,282	16,388	10,685	10,685	7,900	15,395	8,259	9,989	9,989	12,393	10,781	9,051	8,263	8,263	2,362
Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net debt	(2,849)	(2,310)	(6,282)	(16,388)	(10,685)	(10,685)	(7,900)	(15,395)	(8,259)	(9,989)	(9,989)	(12,393)	(10,781)	(9,051)	(8,263)	(8,263)	(2,362)

Source: Factset as of March 16, 2022 and H.C. Wainwright & Co. estimates.

Important Disclaimers

This material is confidential and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). It may also be privileged or otherwise protected by work product immunity or other legal rules. If you have received it by mistake, please let us know by e-mail reply to unsubscribe@hcwresearch.com and delete it from your system; you may not copy this message or disclose its contents to anyone. The integrity and security of this message cannot be guaranteed on the Internet.

H.C. WAINWRIGHT & CO, LLC RATING SYSTEM: H.C. Wainwright employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector. The price objective is calculated to estimate the potential movements in price that a given equity could reach provided certain targets are met over a defined time horizon. Price objectives are subject to external factors including industry events and market volatility.

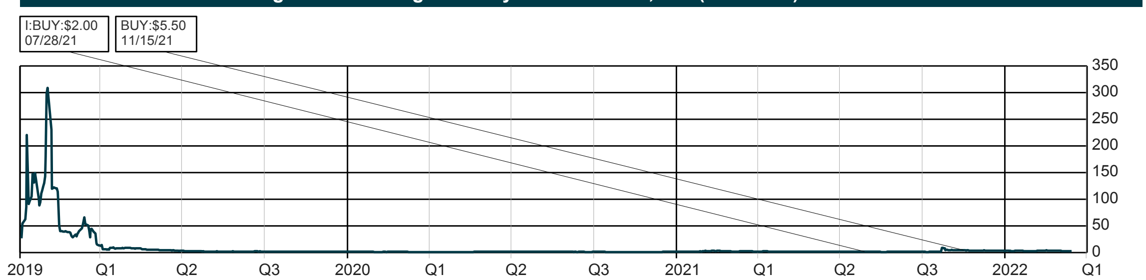
RETURN ASSESSMENT
Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.

Rating and Price Target History for: NexTech AR Solutions Corp. (NEXCF-US) as of 03-15-2022

Rating and Price Target History for: Phunware, Inc. (PHUN-US) as of 03-15-2022



Related Companies Mentioned in this Report as of Mar/16/2022

Company	Ticker	H.C. Wainwright Rating	12 Month Price Target	Price	Market Cap
Phunware, Inc.	PHUN-US	Buy	$5.50	$2.43	$251

Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

Distribution of Ratings Table as of March 15, 2022				
			IB Service/Past 12 Months	
Ratings	Count	Percent	Count	Percent
Buy	587	91.43%	184	31.35%
Neutral	46	7.17%	12	26.09%
Sell	1	0.16%	0	0.00%
Under Review	8	1.25%	1	12.50%

H.C. Wainwright & Co, LLC (the “Firm”) is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

I, Scott Buck , certify that 1) all of the views expressed in this report accurately reflect my personal views about any and all subject securities or issuers discussed; and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report; and 3) neither myself nor any members of my household is an officer, director or advisory board member of these companies.

None of the research analysts or the research analyst’s household has a financial interest in the securities of NexTech AR Solutions Corp. and Phunware, Inc. (including, without limitation, any option, right, warrant, future, long or short position).

As of February 28, 2022 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of NexTech AR Solutions Corp. and Phunware, Inc..

Neither the research analyst nor the Firm knows or has reason to know of any other material conflict of interest at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

The Firm or its affiliates did receive compensation from NexTech AR Solutions Corp. and Phunware, Inc. for investment banking services within twelve months before, and will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

H.C. Wainwright & Co., LLC managed or co-managed a public offering of securities for NexTech AR Solutions Corp. and Phunware, Inc. during the past 12 months.

The Firm does not make a market in NexTech AR Solutions Corp. and Phunware, Inc. as of the date of this research report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is no guarantee of future results. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. This research report is not intended to provide tax advice or to be used to provide tax advice to any person. Electronic versions of H.C. Wainwright & Co., LLC research reports are made available to all clients simultaneously. No part of this report may be reproduced in any form without the expressed permission of H.C. Wainwright & Co., LLC. Additional information available upon request.

H.C. Wainwright & Co., LLC does not provide individually tailored investment advice in research reports. This research report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this research report.

H.C. Wainwright & Co., LLC’s and its affiliates’ salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed in this research report.

H.C. Wainwright & Co., LLC and its affiliates, officers, directors, and employees, excluding its analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research report.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data on the company, industry or security discussed in the report. All opinions and estimates included in this report constitute the analyst’s judgment as of the date of this report and are subject to change without notice.

Securities and other financial instruments discussed in this research report: may lose value; are not insured by the Federal Deposit Insurance Corporation; and are subject to investment risks, including possible loss of the principal amount invested.