newtopia

Newtopia Reports Record First Quarter 2020 Financial Results

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TORONTO, July 8, 2020 /CNW/ - Newtopia Inc. ("**Newtopia**" or the "**Company**") (TSX-V: NEWU), a telehealth enabled habit change platform focused on disease prevention, today reported financial results for its first quarter 2020. All amounts are expressed in Canadian dollars.

First Quarter 2020 Highlights (vs. Q1 2019):

- Revenue increased 119% to $3.86 million; led by an expanding relationship with a highly innovative Fortune 500 partner
- Gross profit[1] increased 142% to $1.65 million; driven by growth in engagement fee revenue
- Gross margin percentage improves to 43%; up from 39%

"We are very pleased with our strong start to 2020. Our record revenue and gross profit in the first quarter is a significant achievement as we make the transition to a publicly-traded company in the midst of the COVID-19 pandemic," said Jeff Ruby, founder and CEO of Newtopia Inc. "This robust start sets the tone for the year, as our expanded relationships with some of the most innovative Fortune 500 partners extend into 2020 and add to our growing base of recurring monthly engagement activity."

While current COVID-19 related health restrictions have limited consumer mobility and access to a broad range of services, Newtopia's telehealth enabled platform continues to experience growing engagement with its existing client base. The platform has experienced some of its highest levels of engagement to date since the onset of the pandemic.

"As a personalized virtual engagement and habit change company we are built to perform in this challenging environment, helping to mitigate escalating healthcare costs for risk-bearing employers and insurers," adds Ruby. "Coupled with our one-size-fits-one diabetes prevention program becoming the first precision health program to receive full accreditation from the Centers for Disease Control and Prevention (CDC), it's clear that our unique approach is gaining traction in the marketplace."

[1] Gross profit is defined as revenue which is comprised of onboarding welcome revenue, ongoing engagement fees and success fees, less cost of sales which is comprised of welcome kit, compensation expense for inspirators and care specialists and genetic testing costs. Gross profit is considered by management to be an integral measure of financial performance and represents the amount of revenues retained by the Company after incurring direct costs. However, gross profit is not a recognized measure of profitability under IFRS.

First Quarter 2020 Financial Results

Newtopia's revenue during the three months ended March 31, 2020 was $3.86 million, an increase of 119% over the prior period ($1.76 million). This growth was propelled by a Q1 program launch with a highly innovative existing Fortune 500 partner, which added to a favourable mix of welcome revenue and a firm base of monthly engagement fee revenue coming out of 2019.

Gross profit for the three months ended March 31, 2020 increased by 142% to more than $1.65 million over the prior year period ($0.68 million). While cost of sales increased in the period due to higher Inspirator (coach) costs, overall margin improved to 43% over the prior year level of 39%. Margin growth in the period can be attributed to the move in revenue mix from 50% monthly

engagement fee based in 2019 to over 60% in 2020.

Adjusted operating expenses[2] in the three months ended March 31, 2020 increased by 55% to $2.35 million over the prior year period ($1.51 million) as the company added technology, sales and marketing and administrative resources during the first quarter. The company has taken a measured approach to adding expenses to support its rapid growth, as increases in these line items has been more modest than growth in revenue and gross profit. Overall, the company had an adjusted operating loss[3] of $0.79 million in the quarter, an improvement from a loss of $0.83 million in the prior year period.

[2] Adjusted operating expenses consist of all cash-based technology, sales and marketing and administrative expenses including employment expenses for these functions excluding equity-settled share-based compensation. Adjusted operating expense is not a measure of financial performance under IFRS and should not be considered a substitute for total operating expenses, which we believe to be the most directly comparable IFRS measure.

[3] Adjusted Operating Loss consists of Gross profit less adjusted operating income. Adjusted operating loss is not a measure of financial performance under IFRS and should not be considered a substitute for Loss from Operations which we believe to be the most directly comparable IFRS measure.

About Newtopia

Newtopia is a telehealth enabled habit change platform focused on disease prevention that delivers a 1:1 individualized approach for at-risk individuals by looking at social, psychological, and genetic insights. Newtopia's approach is proven to deliver value on investment for risk bearing employers and insurers. Clients experience reduced clinical risk factors, medical claims savings and increased quality of life, productivity and morale for their at-risk individuals. Newtopia's mission is to inspire people to live healthier. To learn more, visit newtopia.com.

Forward Looking Information

This news release contains forward-looking information and forward-looking statements, within the meaning of applicable Canadian securities legislation, and forward looking statements, within the meaning of applicable United States securities legislation (collectively, "**forward-looking statements**"), which reflects management's expectations regarding Newtopia's future growth, results from operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects and opportunities. Wherever possible, words such as "predicts", "projects", "targets", "plans", "expects", "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative or grammatical variation thereof or other variations thereof, or comparable terminology have been used to identify forward-looking statements. These forward-looking statements include, among other things, statements relating to: the expected filing date of the Annual Filings and Newtopia's business plans and outlook. Forward-looking statements are not a guarantee and are based on a number of estimates and assumptions management believes to be relevant and reasonable. For more information on these risks please see the "Risk Factors" in Newtopia's final long-form prospectus dated March 30, 2020.

Non-GAAP Financial Measures

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Management uses certain non-GAAP measures, which are defined in the appropriate sections of this press release, to better assess the Company's underlying performance. These measures are reviewed regularly by management and the Company's Board of Directors in assessing the Company's performance and in making decisions about ongoing operations. In addition, we use certain non-GAAP measures to determine the components of management compensation. We believe that these measures are also used by investors as an indicator of the Company's operating performance. Readers are cautioned that these terms are not recognized GAAP measures and do not have a standardized GAAP meaning under IFRS and should not be construed as alternatives to IFRS terms, such as net income.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

NEWTOPIA INC.

Key Financial Measures and Schedule of Non-GAAP Reconciliations

Gross Profit Information [1]

	Three Months Ended March 31,	
	2020	2019
	$	$
Revenue	3,862,986	1,761,046
Cost of sales	(2,208,557)	(1,076,185)
Gross profit	1,654,429	684,861
Gross margin	*43%*	*39%*

[1]Gross profit is defined as revenue which is comprised of onboarding welcome revenue, ongoing engagement fees and success fees, less cost of sales which is comprised of welcome kit, compensation expense for inspirators and care specialists and genetic testing costs. Gross profit is considered by management to be an integral measure of financial performance and represents the amount of revenues retained by the Company after incurring direct costs. However, gross profit is not a recognized measure of profitability under IFRS

Reconciliation of Total Operating Expenses to Adjusted Operating Expenses [2]

	Three Months Ended March 31,	
	2020	2019
	$	$
Total operating expenses	3,162,510	2,703,327
Add (Subtract)		
Stock-based compensation	(134,432)	(332,108)
Depreciation of property and equipment	(21,554)	(11,553)
Depreciation of right-of-use asset	(46,195)	(46,192)
Interest and accretion expense	(233,542)	(713,663)
Interest on lease obligations	(37,849)	(40,149)
Foreign exchange gain	203,111	3,458
Change in value of convertible debenture derivative liabilities	(270,993)	(43,497)
Change in value of derivative liability	(13,628)	(9,556)
Loss on settlement of debt	(167,716)	-
Adjusted operating expenses	2,439,712	1,510,067

[2]Adjusted operating expenses consist of all cash-based technology, sales and marketing and administrative expenses including employment expenses for these functions excluding equity-settled share-based compensation. Adjusted operating expense is not a measure of financial performance under IFRS and should not be considered a substitute for total operating expenses, which we believe to be the most directly comparable IFRS measure.

NEWTOPIA INC.

Key Financial Measures and Schedule of Non-GAAP Reconciliations

Adjusted Operating Loss [3]

	Three Months Ended March 31,	
	2020	2019
	$	$
Gross profit	1,654,429	684,861
Adjusted operating expenses	(2,439,712)	(1,510,067)
	(785,283)	(825,206)

[3] Adjusted Operating Loss consists of Gross profit less adjusted operating income. Adjusted operating loss is not a measure of financial performance under IFRS and should not be considered a substitute for Loss from Operations which we believe to be the most directly comparable IFRS measure.

NEWTOPIA INC.
Condensed Interim Statements of Financial Position (Unaudited)
As at March 31, 2020 and December 31, 2019
(Expressed in Canadian Dollars)

	March 31, 2020	December 31, 2019
	$	$
Assets		
Current assets		
Cash	**2,107,272**	2,386,341
Trade and other receivables	**1,382,133**	1,247,858
Prepaid expenses and deposits	**338,588**	462,605
Inventories	**356,798**	604,920
	4,184,791	4,701,724
Property and equipment	**176,664**	186,376
Right–of–use asset	**692,877**	739,072
	5,054,332	5,627,172
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,996,188**	2,254,894
Lease obligations	**188,501**	156,340
Convertible debentures	**4,227,300**	3,993,758
Convertible debentures derivative liabilities	**2,223,631**	1,952,638
Retractable preferred shares	**7,420,265**	7,420,265
Derivative liability	**192,298**	178,670
	16,248,183	15,956,565
Non–current lease obligations	**824,565**	883,090
	17,072,748	16,839,655
Equity/Deficit		
Common shares	**4,643,945**	4,643,945
Shares to be issued	**528,168**	–
Preferred shares	**13,011,033**	13,011,033
Special Warrants	**9,164,731**	9,164,731
Contributed surplus	**5,346,172**	5,172,192
Deficit	**(44,712,465)**	(43,204,384)
	(12,018,416)	(11,212,483)
	5,054,332	5,627,172

NEWTOPIA INC.
Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited)
Three Months Ended March 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
Revenue	**3,862,986**	1,761,046
Cost of revenue	**2,208,557**	1,076,185
Gross profit	**1,654,429**	684,861
Operating expenses		
Technology	**776,666**	525,806
Sales and marketing	**728,482**	360,995
Administrative	**934,564**	623,266
Stock–based compensation	**134,432**	332,108
	2,574,144	1,842,175
Other expenses		
Depreciation of property and equipment	**21,554**	11,553
Depreciation of right–of–use asset	**46,195**	46,192
Interest and accretion expense	**233,542**	713,663
Interest on lease obligations	**37,849**	40,149
Foreign exchange gain	**(203,111)**	(3,458)
Change in value of convertible debenture derivative liabilities	**270,993**	43,497

Change in value of derivative liability	**13,628**	9,556
Loss on settlement of debt	**167,716**	–
	588,366	861,152
Net loss and comprehensive loss	**(1,508,081)**	(2,018,466)
Loss per share		
Basic and diluted	**(0.10)**	(0.13)
Weighted average number of common shares outstanding		
Basic and diluted	**15,535,919**	15,535,919

NEWTOPIA INC.
Condensed Interim Statements of Changes in Equity (Deficit) (Unaudited)
Three Months Ended March 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Common Shares	Shares To Be Issued	Preferred Shares	Special Warrants	Contributed Surplus	Deficit	Total
	$	**$**	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2019	**4,643,945**	**–**	**13,011,033**	**9,164,731**	**5,172,192**	**(43,204,384)**	**(11,212,483)**
Net loss and comprehensive loss	–	–	–	–	–	(1,508,081)	(1,508,081)
Stock–based compensation	–	–	–	–	134,432	–	134,432
Settlement of debt	–	528,168	–	–	39,548	–	567,716
Balance, March 31, 2020	**4,643,945**	**528,168**	**13,011,033**	**9,164,731**	**5,346,172**	**(44,712,465)**	**(12,018,416)**
Balance, December 31, 2018	**4,643,945**	**–**	**13,011,033**	**–**	**2,701,639**	**(32,799,372)**	**(12,442,755)**
Net loss and comprehensive loss	–	–	–	–	–	(2,018,466)	(2,018,466)
Stock–based compensation	–	–	–	–	332,108	–	332,108
Balance, March 31, 2019	**4,643,945**	**–**	**13,011,033**	**–**	**3,033,747**	**(34,817,838)**	**(14,129,113)**

NEWTOPIA INC.
Condensed Interim Statements of Cash Flows
Three Months Ended March 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
Cash flows used in operating activities		
Net loss and comprehensive loss	**(1,508,081)**	(2,018,466)
Depreciation of property and equipment	**21,554**	11,553
Depreciation of right–of–use asset	**46,195**	46,192
Interest and accretion expense	**233,542**	713,663
Interest on lease obligations	**37,849**	40,149
Change in value of convertible debenture derivative liabilities	**270,993**	43,497
Change in value of derivative liability	**13,628**	9,556
Stock–based compensation	**134,432**	332,108
Loss on settlement of debt	**167,716**	–
	(582,172)	(821,748)
Change in non–cash working capital		
Trade and other receivables	**(134,275)**	(844,054)
Prepaid expenses and deposits	**124,017**	36,356
Inventories	**248,122**	251,187
Accounts payable and accrued liabilities	**141,294**	259,313
	(203,014)	(1,118,946)
Cash flows used in investing activities		
Purchase of property and equipment	**(11,842)**	(14,299)
	(11,842)	(14,299)
Cash flows used in financing activities:		
Repayment of lease obligation	**(64,213)**	(40,721)
	(64,213)	(40,721)
Net change in cash during the period	**(279,069)**	(1,173,966)
Cash, beginning of period	**2,386,341**	1,428,558
Cash, end of period	**2,107,272**	254,592

Supplemental cash flow information		
Non–cash settlement of debt	**400,000**	–

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CNW 07:00e 08-JUL-20