newtopia

Newtopia Reports Record Second Quarter 2020 Financial Results

Revenue and gross profit increase 67% and 96% year-over-year; records highest engagement levels in company history in Q2

TORONTO, Aug. 12, 2020 /CNW/ - Newtopia Inc. ("**Newtopia**" or the "**Company**") (TSXV: NEWU), a tech-enabled disease prevention company focused on healthy habit change, today reported financial results for its second quarter 2020.

"Amidst one of the most challenging financial quarters on record, we are very pleased to report record levels of engagement that drove second quarter revenue of $2.69 million and gross profit of $1.41 million. In the first six months of 2020, we have already exceeded revenue and gross profit[1] for all of 2019 - an important achievement as we commenced trading as a public company in the quarter. It is a testament to a fundamental shift taking place in the health care sector toward virtual care and disease prevention," said Jeff Ruby, Founder & CEO.

All amounts are expressed in Canadian dollars.

Second Quarter 2020 Highlights (vs. Q2 2019):

- Revenue increased 67%, to $2.69 million
- Gross profit[1] increased 96%, to $1.41 million
- Gross margin percentage improves to 52%, up from 45%

Operational Highlights:

- Year to date revenue ($6.55 million) and gross profit ($3.06 million) exceed full year 2019 revenue and gross profit[1] measures ($6.11 million and $1.97 million respectively).
- Experienced strongest engagement levels in company history despite the unprecedented global impact of COVID-19
- Commenced trading as a public company on May 4, 2020 under the ticker NEWU on the TSX Venture Exchange

"Growth in engaged participants in Q2 was the strongest we've ever seen, as the Company saw its highest level of total engaged participants in the quarter," adds Ruby. "While COVID-19 has impacted mobility and services globally, our tech-enabled service has allowed participants to enjoy convenient and uninterrupted access to our habit-change platform throughout the pandemic."

Newtopia's platform leverages genetic, social and behavioral insights to create individualized CDC accredited prevention programs with a focus on type 2 diabetes, heart disease, stroke and weight. The Company's individualized approach combines virtual care, digital tools, connected devices and actionable data science to deliver sustainable clinical and financial outcomes.

"We have a growing list of clients who are Fortune 500 innovators across the banking and financial services, health care, IT services and consulting, manufacturing, technology and retail sectors," adds Ruby. "The global pandemic has demonstrated the importance of our virtual care platform to prevent chronic disease and reduce the underlying risks and cost drivers of COVID-19. Our performance-based model and proven outcomes create aligned incentives to mitigate healthcare costs for risk bearing employers and insurers and help keep people healthy."

[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.continue to access

Second Quarter 2020 Financial Results

Newtopia's revenue during the three months ended June 30, 2020 was $2.69 million, an increase of 67% over the prior period ($1.61 million). This growth reflected a continuation of strong engagement fee revenue from the Q1 program launch with a highly innovative existing Fortune 500 partner.

Gross profit for the three months ended June 30, 2020 increased by 96% to $1.41 million over the prior year period ($0.72 million). Strong engagement revenue in the quarter offset cost of sales coming from higher Inspirator (coach) costs, as overall margin improved to 52% over the prior year level of 45%. Engagement fee revenue made up over 90% of the revenue mix in the current year quarter as compared to approx. 65% in the same period for 2019, accounting for the overall improvement in margin.

Adjusted operating expenses[2] in the three months ended June 30, 2020 increased by 60% to $2.50 million over the prior year period ($1.57 million) as the Company continued to add technology, sales and marketing and administrative resources in support of longer-term growth. The Company continues to take a measured approach to adding expenses in support of 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 $1.09 million in the quarter, compared to a loss of $0.85 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.

Other Corporate Matters

Subsequent to the quarter end, the Company has secured a $500,000 Promissory Note from a Canadian Financial Institution. The note is payable on demand and bears interest at 12% per annum. The funds will be used to support ongoing general operating activities which include, but not limited to, the roll out of a recently announced client, marketing and awareness campaigns and continued investment in technology advancement.

About Newtopia

Newtopia is a tech-enabled disease prevention company focused on healthy habit change. Newtopia's platform leverages genetic, social and behavioral insights to create individualized prevention programs with a focus on type 2 diabetes, heart disease, stroke and weight. Our person-centered approach combines virtual care, digital tools, connected devices and actionable data science to deliver sustainable clinical and financial outcomes. We serve some of the largest nationwide employers and health plans. 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. All statements other than statements of historical fact may be forward-looking information. Such statements reflect Newtopia's current views and intentions with respect to future events, based on information available to Newtopia, and are subject to certain risks, uncertainties and assumptions. Material factors or assumptions were applied in providing forward-looking information. While forward-looking statements are based on data, assumptions and analyses that Newtopia believes are reasonable under the circumstances, whether actual results, performance or developments will meet Newtopia's expectations and predictions depends on a number of risks and uncertainties that could cause the actual results, performance and financial condition of Newtopia to differ materially from its expectations. These forward-looking statements include, among other things, clients continuing to offer Newtopia's platform pursuant to agreements entered into. Forward-looking statements are not a guarantee and are based on a number of estimates and assumptions management believes to be relevant and reasonable, whether actual results, performance or developments will meet Newtopia's expectations and predictions depends on a number of risks and uncertainties that could cause the actual results, performance and financial condition of Newtopia to differ materially from its expectations. Certain of the "risk factors" that could cause actual results to differ materially from Newtopia's forward-looking statements in this press release include, without limitation: the termination of contracts by clients, risks related to COVID-19 including various recommendations, orders and measures of governmental authorities to try to limit the pandemic, including travel restrictions, border closures, non-essential business closures, quarantines, self-isolations, shelters-in-place and social distancing, disruptions to markets, economic activity, financing, supply chains and sales channels, and a deterioration of general economic conditions including a possible national or global recession; and other general economic, market and business conditions and factors, including the risk factors discussed or referred to in Newtopia's disclosure documents, filed with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com including Newtopia's final long form prospectus dated March 30, 2020.

Should any factor affect Newtopia's in an unexpected manner, or should assumptions underlying the forward- looking information prove incorrect, the actual results or events may differ materially from the results or events predicted. Any such forward-looking information is expressly qualified in its entirety by this cautionary statement. Moreover, Newtopia does not assume responsibility for the accuracy or completeness of such forward-looking information. The forward-looking information included in this press release is made as of the date of this press release, and Newtopia undertakes no obligation to publicly update or revise any forward-looking information, other than as required by applicable law.

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.

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.

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NEWTOPIA INC.

Key Financial Measures and Schedule of Non-GAAP Reconciliations

Gross Profit Information [1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	$	$	$	$
Revenue	2,687,055	1,608,658	6,550,041	3,369,704
Cost of sales	(1,276,626)	(888,903)	(3,485,183)	(1,965,088)
Gross profit	1,410,429	719,755	3,064,858	1,404,616
Gross margin	*52%*	*45%*	*47%*	*42%*

[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 June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	$	$	$	$
Total operating expenses	2,950,467	2,442,762	6,112,977	5,146,086
Add (Subtract)				
Stock-based compensation	(121,659)	(5,620)	(256,091)	(337,726)
Depreciation of property and equipment	(21,339)	(12,016)	(42,893)	(23,569)
Depreciation of right-of-use asset	(46,191)	(46,192)	(92,386)	(92,384)
Interest and accretion expense	-	(730,254)	(233,542)	(1,443,917)
Interest on lease obligations	(36,849)	(40,128)	(74,698)	(80,276)
Foreign exchange gain	(106,620)	(25,693)	96,491	(22,235)
Change in value of convertible debenture derivative liabilities	(177,663)	(22,620)	(448,656)	(66,117)
Change in value of derivative liability	61,504	7,080	47,876	(2,476)
Loss on settlement of debt	-	-	(167,716)	-
Adjusted operating expenses	2,501,650	1,567,319	4,941,362	3,077,386

[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.

Adjusted Operating Loss [3]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	$	$	$	$
Gross profit	1,410,429	719,755	3,064,858	1,404,616
Adjusted operating expenses	(2,501,650)	(1,567,319)	(4,941,362)	(3,077,386)
Adjusted operating loss	(1,091,221)	(847,564)	(1,876,504)	(1,672,770)

[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 June 30, 2020 and December 31, 2019
(Expressed in Canadian Dollars)

	June 30,	December 31,

	2020	2019
	$	$
Assets		
Current assets		
Cash	**1,182,547**	2,386,341
Trade and other receivables	**1,001,683**	1,247,858
Prepaid expenses and deposits	**265,788**	462,605
Inventories	**283,080**	604,920
	2,733,098	4,701,724
Property and equipment	**155,326**	186,376
Right–of–use asset	**646,686**	739,072
	3,535,110	5,627,172
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**1,706,553**	2,254,894
Lease obligations	**221,884**	156,340
Convertible debentures	**–**	3,993,758
Convertible debentures derivative liabilities	**–**	1,952,638
Retractable preferred shares	**–**	7,420,265
Derivative liability	**130,794**	178,670
	2,059,231	15,956,565
Non–current lease obligations	**763,816**	883,090
	2,823,047	16,839,655
Equity/Deficit		
Common shares	**37,926,891**	4,643,945
Shares to be issued	**628,167**	–
Preferred shares	**–**	13,011,033
Special warrants	**–**	9,164,731
Contributed surplus	**8,452,295**	5,172,192
Deficit	**(46,295,290)**	(43,204,384)
	712,063	(11,212,483)
	3,535,110	5,627,172

NEWTOPIA INC.
Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited)
Three and Six Months Ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	**2019**	2020	2019
	$	$	**$**	$
Revenue	**2,687,055**	1,608,658	**6,550,041**	3,369,704
Cost of revenue	**1,276,626**	888,903	**3,485,183**	1,965,088
Gross profit	**1,410,429**	719,755	**3,064,858**	1,404,616
Operating expenses				
Technology and development	**793,322**	577,544	**1,569,988**	1,103,350
Sales and marketing	**815,196**	426,775	**1,543,678**	787,770
Administrative	**893,132**	563,000	**1,827,696**	1,186,266
Stock–based compensation	**121,659**	5,620	**256,091**	337,726
	2,623,309	1,572,939	**5,197,453**	3,415,112
Other expenses (income)				
Depreciation of property and equipment	**21,339**	12,016	**42,893**	23,569
Depreciation of right–of–use asset	**46,191**	46,192	**92,386**	92,384
Interest and accretion expense	**–**	730,254	**233,542**	1,443,917
Interest on lease obligations	**36,849**	40,128	**74,698**	80,276
Foreign exchange loss (gain)	**106,620**	25,693	**(96,491)**	22,235
Change in value of convertible debenture derivative liabilities	**177,663**	22,620	**448,656**	66,117
Change in value of derivative liability	**(61,504)**	(7,080)	**(47,876)**	2,476
Loss on settlement of debt	**–**	–	**167,716**	–
	327,158	869,823	**915,524**	1,730,974
Net loss and comprehensive loss	**(1,540,038)**	(1,723,007)	**(3,048,119)**	(3,741,470)
Loss per share				
Basic and diluted	**(0.02)**	(0.11)	**(0.08)**	(0.24)
Weighted average number of common shares outstanding				
Basic and diluted	**62,468,935**	15,535,919	**39,002,427**	15,535,919

NEWTOPIA INC.
Condensed Interim Statements of Changes in Equity (Deficit) (Unaudited)
Six Months Ended June 30, 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	–	–	–	–	–	(3,048,119)	(3,048,119)
Stock–based compensation	–	–	–	–	256,091	–	256,091
Conversion of Convertible Debentures	6,039,000	–	–	–	589,594	–	6,628,594
Modification of warrants	–	–	–	–	42,787	(42,787)	–
Conversion of retractable preferred shares	7,420,265	–	–	–	–	–	7,420,265
Conversion of preferred shares	13,011,033	–	(13,011,033)	–	–	–	–
Conversion of Special warrants	6,812,648	–	–	(9,164,731)	2,352,083	–	–
Settlement of debt	–	528,168	–	–	39,548	–	567,716
Exercise of warrants	–	99,999	–	–	-	–	99,999
Balance, June 30, 2020	**37,926,891**	**628,167**	**–**	**–**	**8,452,295**	**(46,295,290)**	**712,063**
Balance, December 31, 2018	**4,643,945**	**–**	**13,011,033**	**–**	**2,701,639**	**(32,799,372)**	**(12,442,755)**
Net loss and comprehensive loss	–	–	–	–	–	(3,741,470)	(3,741,470)
Stock–based compensation	–	–	–	–	337,726	–	337,726
Issuance of Special Warrants, net of cash issuance costs	–	–	–	4,289,416	–	–	4,289,416
Special Broker Warrants issued	–	–	–	(112,457)	112,457	–	–
Balance, June 30, 2019	**4,643,945**	**–**	**13,011,033**	**4,176,959**	**3,151,822**	**(36,540,842)**	**(11,557,083)**

NEWTOPIA INC.
Condensed Interim Statements of Cash Flows (Unaudited)
Six Months Ended June 30, 2020 and 2019
(Expressed in Canadian Dollars)

	Six Months Ended June 30,	
	2020	2019
	$	$
Cash flows used in operating activities:		
Net loss and comprehensive loss	**(3,048,119)**	(3,741,470)
Items not involving cash:		
Depreciation of property and equipment	**42,893**	23,569
Depreciation of right–of–use asset	**92,386**	92,384
Stock–based compensation	**256,091**	337,726
Interest and accretion expense	**233,542**	1,443,917
Interest on lease obligations	**74,698**	80,276
Loss on settlement of debt	**167,716**	–
Change in value of convertible debenture derivative liabilities	**448,656**	66,117
Change in value of derivative liability	**(47,876)**	2,476
	(1,780,013)	(1,695,005)
Net change in non–cash working capital		
Trade and other receivables	**246,175**	(809,636)
Inventories	**321,840**	333,249
Prepaid expenses and deposits	**196,817**	30,516
Accounts payable and accrued liabilities	**(148,341)**	10,343
	(1,163,522)	(2,130,533)
Interest paid	**–**	(1,944)
	(1,163,522)	(2,132,477)
Cash flows used in investing activities		
Purchase of property and equipment	**(11,843)**	(21,636)
	(11,843)	(21,636)
Cash flows from (used in) financing activities:		
Repayment of lease obligations	**(128,428)**	(81,443)
Issuance of Special Warrants, net of cash issuance costs	**–**	4,289,416
Proceeds from exercise of non–broker warrants	**99,999**	–
	(28,429)	4,207,973
Increase (decrease) in cash	**(1,203,794)**	2,053,860
Cash, beginning of period	**2,386,341**	1,428,558
Cash, end of period	**1,182,547**	3,482,418
Supplemental disclosure of cash flow information		
Non–cash settlement of debt	**400,000**	–

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