newtopia

Newtopia Inc. Reports Fourth Quarter and Full Year 2019 Financial Results

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- **Full year Revenue up 99% to $6.11 million**
- **Full year Gross Profit up 119% to $1.97 million**

TORONTO, June 11, 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 fourth quarter and year ended December 31, 2019. All amounts are expressed in Canadian dollars.

Fourth Quarter 2019 Highlights (vs. Q4 2018):

- Revenue increased 159% to $1.54 million
- Gross profit[1] increased 30% to $0.15 million
- Expanded relationship with an existing Fortune 500 partner drives Q4 revenue growth

Full Year 2019 Financial Highlights (vs. 2018):

- Revenue increased 99% to $6.11 million
- Gross profit increased 119% to $1.97 million
- Addition of two new Fortune 500 partners and expansion of existing Fortune 500 partner which will drive continued growth in 2020

"We are very pleased to report strong performance in fiscal 2019, which positions us for continued growth in 2020," said Jeff Ruby, founder and CEO of Newtopia Inc. "Our strong Q4 results reflect an expanding relationship with one of our Fortune 500 partners with revenue in both fiscal 2019 and setting the stage for a strong start to 2020. Our ongoing investment in smart technology will allow us to continually improve engagement by providing the optimal combination of live coaching and mobile engagement throughout our multi-year agreements with our Fortune 500 clients."

"As COVID-19 continues to reshape the world's relationship with health and well-being, our telehealth-enabled business continues to be focused on disease prevention. A focus on disease prevention is even more relevant today as chronic disease causes complications with recovery from COVID-19," adds Ruby. "For this reason, we are providing a one-time outlook on Q1 2020, as we anticipate year-over-year revenue growth of more than 100% Q1 2019's $1.76 million".

Fourth Quarter 2019 Financial Results

Newtopia's revenue during the three months ended December 31, 2019 increased by 159% over the prior period to $1.54 million with growth in Newtopia's customer base and expansion in participant enrollment among its existing customers contributed to this strong performance. In particular, the onboarding of additional participants occurred during the quarter in preparation for a Q1 2020 program launch with an existing Fortune 500 client, adding to onboarding-related revenue.

Gross profit in the three months ended December 31, 2019, increased by 30% to more than $148,000 over the prior year period. The Company includes the cost for its Inspirators (coaches) as part of cost of sales. As such, the cost to onboard and train additional Inspirators during the quarter was incurred in the period as the company prepared for a significant program launch in Q1 2020. This increase in Inspirator talent was unusually high compared to other periods and not reflective of normal hiring requirements, resulting in final gross profit being more than 20% lower than average for the period at 10% in Q4.

Adjusted operating expenses[2] in the three months ended December 31, 2019 increased by 44% to $2.69 million over the prior year period ($1.87 million) as the company added technology, sales and marketing resources during the quarter. Related expenses during the quarter were in line with Newtopia's full year strategy to build on its existing talent pool. Overall, the company had an adjusted operating loss[3] of $2.54 million in the quarter, up from a loss of $1.76 million in the prior year period.

Full Year 2019 Financial Results

For the full year ended December 31, 2019, revenue increased 99% to $6.1 million over the prior period. The growth in Newtopia's existing participant base along with the addition of two new Fortune 500 partner clients and expanded relationship with an existing Fortune 500 partner contributed to the strong growth in the year.

Gross Profit for the full year ended December 2019 improved to $1.97 million, an increase of 119% over the prior year period ($0.90 million). The company continues to improve efficiency with participants by increasing its use of smart technology to engage activity and achieve longer-term clinical results for participants.

Overall adjusted operating expenses increased 23% in 2019 to $7.44 million over the prior year ($6.07 million). Increased spending in technology, sales and marketing accounted for the majority of this increase as the company focuses on building a strong foundation for future growth. For the year, the company had an adjusted operating loss of $5.47 million, up slightly (6%) from $5.17 million.

One-time Outlook for Q1 2020

The recent COVID-19 virus outbreak has created an uncertain business environment around the world. As a newly-public entity issuing its first performance release in the COVID-19 era, Newtopia is providing a one-time outlook on future performance to provide meaningful information beyond required historical results. The Company anticipates Q1 2020 revenue to grow by more than 100% over Q1 2019 levels of $1.76 million. At this time the Company has not experienced any adverse impact of this outbreak with engagement levels with participants remaining strong in Q1 2020. The company does not intend to regularly provide preliminary revenue or financial results in the future.

Investor Relations Consultant

The Company also announced that, effective June 1, 2020, it has retained BND Projects Inc. ("BND") to provide strategic investor relations services. BND, based in the Greater Toronto Area, was founded by Christina Cameron. Ms. Cameron, a life sciences capital markets expert with over 20 years of experience in investor relations and investment banking, will be providing the services. BND will aid the Company in building awareness in the financial community by introducing, maintaining and protecting relationships between the Company's and investors.

Under the terms of the consulting agreement with BND (the "BND Agreement"), the Company has agreed to pay BND a monthly fee of $8,500. The Agreement is subject to the approval of the TSX Venture Exchange. The BND Agreement has an initial term of six months but may be extended by mutual agreement of the parties. The Company and BND act at arm's length and BND does not currently hold directly or indirectly, any of the Company's securities. The fees paid by the Company to BND are for its services only

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.

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[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.

[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.

NEWTOPIA INC.
Key Financial Measures and Schedule of Non-GAAP Reconciliations
Gross Profit Information [1]

	Three Months Ended December 31, *(In thousands)*		Years Ended December 31, *(In thousands)*	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Revenue	1,538	593	6,109	3,074
Cost of sales	(1,390)	(478)	(4,139)	(2,175)
Gross profit	148	115	1,970	899
Gross margin	*10%*	*19%*	*32%*	*29%*

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

	Three Months Ended December 31, *(In thousands)*	Years Ended December 31, *(In thousands)*

	2019	2018	2019	2018
	$	$	$	$
Total operating expenses	4,227	2,825	12,111	7,288
Subtract (Add)				
Stock-based compensation	(1,460)	(262)	(2,025)	(249)
Depreciation of property and equipment	(19)	(12)	(56)	(46)
Depreciation of right-of-use assets	(46)	(46)	(185)	(185)
Interest and accretion expense	(478)	(545)	(2,640)	(633)
Interest on lease obligations	(39)	(40)	(159)	(160)
Finance charges	(7)	(213)	(7)	(213)
Foreign exchange	(43)	27	(42)	30
Change in value of convertible debentures derivative liabilities	140	40	54	40
Gain on extinguishment of convertible debentures	409	-	409	-
Change in value of derivative liability	7	100	(21)	197
Adjusted Operating Expenses	2,691	1,874	7,439	6,069

[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 December 31, *(In thousands)*		Years Ended December 31, *(In thousands)*	
	2019	2018	2019	2018
	$	$	$	$
Gross Profit	148	115	1,970	899
Adjusted Operating Expenses	(2,691)	(1,874)	(7,439)	(6,069)
Adjusted Operating Loss	(2,543)	(1,759)	(5,469)	(5,170)

[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.
Statements of Financial Position
As at December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Assets		
Current assets		
Cash	**2,386,341**	1,428,558
Trade and other receivables	**1,247,858**	592,791
Prepaid expenses and deposits	**462,605**	258,292
Inventories	**604,920**	399,373
	4,701,724	2,679,014
Property and equipment	**186,376**	79,424
Right–of–use asset	**739,072**	923,838
	5,627,172	3,682,276
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,254,894**	1,204,054
Lease obligations	**156,340**	44,963
Secured debentures	**–**	1,900,000
Interest payable	**–**	202,373
Convertible debentures	**3,993,758**	2,149,793
Convertible debentures derivative liabilities	**1,952,638**	2,006,719
Retractable preferred shares	**7,420,265**	7,420,265
Derivative liability	**178,670**	157,433
	15,956,565	15,085,600
Non–current lease obligations	**883,090**	1,039,431
	16,839,655	16,125,031
Equity/Deficit		
Common shares	**4,643,945**	4,643,945
Preferred shares	**13,011,033**	13,011,033
Special Warrants	**9,164,731**	–

Contributed surplus	**5,172,192**	2,701,639
Deficit	**(43,204,384)**	(32,799,372)
	(11,212,483)	(12,442,755)
	5,627,172	3,682,276

NEWTOPIA INC.

Statements of Loss and Comprehensive Loss
Years Ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	**$**
Continuing operations		
Products and services revenue	**6,109,282**	3,073,901
Costs of sales	**4,138,939**	2,174,926
	1,970,343	898,975
Operating expenses		
Technology	**2,512,631**	2,196,506
Sales and marketing	**1,709,794**	1,357,210
Administrative	**3,216,507**	2,515,417
Stock–based compensation	**2,024,780**	248,922
	9,463,712	6,318,055
Other expenses		
Depreciation of property and equipment	**56,437**	46,166
Depreciation of right–of–use asset	**184,766**	184,766
Interest and accretion expense	**2,640,030**	633,111
Interest on lease obligations	**158,642**	160,251
Finance charges	**6,724**	212,623
Foreign exchange loss/(gain)	**42,244**	(29,987)
Change in value of convertible debenture derivative liabilities	**(54,081)**	(39,751)
Gain on extinguishment of convertible debentures	**(408,778)**	–
Change in value of derivative liability	**21,237**	(197,422)
	2,647,221	969,757
Net loss and comprehensive loss	**(10,140,590)**	(6,388,837)
Loss per share		
Basic and diluted loss per share	**(0.65)**	(0.41)
Weighted average number of common shares outstanding		
Basic and diluted	**15,535,919**	15,535,919

NEWTOPIA INC.

Statements of Changes in Equity (Deficit)
Years Ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Note	**Common Shares**	**Preferred Shares**	**Special Warrants**	**Contributed Surplus**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**	**$**
Balance, December 31, 2017		**4,639,503**	**13,011,033**	**–**	**2,378,190**	**(26,410,535)**	**(6,381,809)**
Net loss for the year		–	–	–	–	(6,388,837)	(6,388,837)
Compensation options		–	–	–	75,821	–	75,821
Shares to be issued on exercise of stock options		4,442	–	–	(1,294)	–	3,148
Stock–based compensation		–	–	–	248,922	–	248,922
Balance, December 31, 2018		**4,643,945**	**13,011,033**	**–**	**2,701,639**	**(32,799,372)**	**(12,442,755)**
Net loss for the year		–	–	–	–	(10,140,590)	(10,140,590)
Modified warrants		–	-	–	264,422	(264,422)	–
Issuance of Special Warrants, net of cash issuance costs		–	–	9,346,082	–	–	9,346,082
Special Broker Warrants issued		–	–	(181,351)	181,351	–	–
Stock–based compensation		–	–	–	2,024,780	–	2,024,780
Balance, December 31, 2019		**4,643,945**	**13,011,033**	**9,164,731**	**5,172,192**	**(43,204,384)**	**(11,212,483)**

NEWTOPIA INC.

Statements of Cash Flows
Years Ended December 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Cash flows used in operating activities		
Net loss and comprehensive loss	**(10,140,590)**	(6,388,837)
Depreciation of property and equipment	**56,437**	46,166
Depreciation of right–of–use asset	**184,766**	184,766
Finance charges	**–**	212,623
Interest and accretion expense	**2,640,030**	633,111
Interest on lease obligations	**158,642**	160,251
Change in value of convertible debenture derivative liabilities	**(54,081)**	(39,751)
Change in value of derivative liability	**21,237**	(197,422)
Stock–based compensation	**2,024,780**	248,922
Gain on extinguishment of convertible debentures	**(408,778)**	–
	(5,517,557)	(5,140,171)
Change in non–cash working capital		
Trade and other receivables	**(655,067)**	(57,694)
Prepaid expenses and deposits	**(204,313)**	88,108
Inventories	**(205,547)**	(326,958)
Accounts payable and accrued liabilities	**1,050,840**	116,084
	(5,531,644)	(5,320,631)
Interest paid	**–**	(31,508)
	(5,531,644)	(5,352,139)
Cash flows used in investing activities		
Purchase of property and equipment	**(163,389)**	(42,346)
	(163,389)	(42,346)
Cash flows from financing activities:		
Proceeds from secured debentures	**–**	2,600,000
Repayment of secured debentures	**–**	(700,000)
Proceeds from issuance of convertible debentures, net of issuance costs	**–**	3,660,231
Repayment of convertible debentures	**(160,500)**	–
Repayment of lease obligation	**(203,606)**	(184,461)
Exercise of stock options	**–**	3,148
Issuance of Special Warrants, net of issuance costs and settlement of Debentures	**7,016,922**	–
	6,652,816	5,378,918
Net change in cash during the year	**957,783**	(15,567)
Cash, beginning of year	**1,428,558**	1,444,125
Cash, end of year	**2,386,341**	1,428,558
Supplemental cash flow information		
Non–cash settlement of secured debentures	**2,329,160**	-

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