

EQ Inc. Reports Third Quarter Financial Results

Significant improvements in adjusted EBITDA sequentially and year over year

TORONTO, ON / ACCESSWIRE / November 25, 2024 / EQ Inc. (TSXV:EQ) ("EQ Works" or the "Company"), a leader in AI and data driven software and solutions, announced its financial results today for the third quarter ended September 30, 2024.

EQ Works reported revenue of \$2.5 million for the third quarter, which was similar to both the previous quarter and the same period a year ago. Revenue from its Paymi division increased by 35% sequentially and continued to drive significant momentum into the fourth quarter. Pipeline and proposal activities increased by over 100% during the quarter, while bookings and backlog were up by an additional 25%. Together these metrics provide a strong foundation for future growth and underscores the growing interest and demand for the SAAS products and data driven marketing solutions being delivered to clients.

The Company reported a gross margin of 44%, an improvement from the previous quarter and driven primarily from the increased data revenue and successful cost optimization efforts. EQ also posted a significant improvement in adjusted EBITDA. By effectively aligning investments with revenue growth, the adjusted EBITDA loss narrowed to \$0.1 million, a 25% sequential improvement and a 29% improvement compared to the same period last year.

The Company's balance sheet also improved during the quarter when EQ secured a \$1.0 million non-revolving subordinated secured debt financing (the "Loan") with the Business Development Bank of Canada ("BDC"). The Loan bears interest at a floating rate equal to the BDC base rate plus a margin of 2.50%. As of September 30, 2024, the BDC base rate was 8.55% per annum.

Additionally, the Company received \$1.25 million in cash from a legal settlement related to a past acquisition. After legal and filing fees, the settlement resulted in a net inflow of \$1.0 million in cash.

"Our continued focus on profitability and cash flow is paying off as we delivered another quarter of improved gross margin and adjusted EBITDA" said Geoffrey Rotstein, President and CEO of EQ Works. "Our proprietary network of first-party data, one of the largest in Canada, and our increasing number of strategic partnerships provide us with the ability to adapt, innovate and drive data driven solutions that solve business problems. As we continue to build upon our robust real time data, and implement AI solutions that work, we believe we are well positioned to capture new opportunities in diverse verticals with substantial market potential."

The Company remains focused on long-term growth through innovation, actively expanding its suite of AI-powered solutions to meet the growing demand for actionable data across industries. EQ Works solutions enable businesses to leverage data for better decision-making, operational optimization, and improved outcomes.

Non-IFRS Financial Measures

EQ Works measures the success of the Company's strategies and performance based on Adjusted EBITDA, which is outlined and reconciled with net income (loss) in the section entitled "Reconciliation of Net Income (Loss) for the period to Adjusted EBITDA" in the MD&A. The Company defines Adjusted EBITDA as net income (loss) from operations before: (a) depreciation of property and equipment and amortization of intangible assets, (b) share-based payments, (c) finance income and costs, net, (d) restructuring costs (e) Gain from acquisition-related transaction. Management uses Adjusted EBITDA as a measure of the Company's operating performance because it provides information on the Company's ability to provide operating cash flows for working capital requirements, capital expenditures, and potential acquisitions. The Company also believes that analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in its industry.

The non-IFRS financial measure is used in addition to, and in conjunction with, results presented in the Company's consolidated financial statements prepared in accordance with IFRS and should not be relied upon to the exclusion of IFRS financial measures. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-IFRS financial measures are not standardized, it may not be possible to compare these financial measures with other companies non-IFRS financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-IFRS adjustments described above, and exclusion of these items from the Company's non-IFRS measures should not be construed as an inference that these costs are unusual, infrequent, or non-recurring.

The table below reconciles net loss from operations and Adjusted EBITDA for the periods presented:

Adjusted EBITDA for three and nine months ended September 30, 2024 and 2023

(In thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net income (loss)	599	28	(756)	(1,999)
Add:				
Finance (income) costs, net	51	28	135	34
Depreciation of property and equipment	5	8	18	27
Amortization of intangible assets	170	203	635	652
Share-based payments	3	10	9	40
Restructuring costs	-	-	-	122
Gain from acquisition-related transaction	(975)	(483)	(975)	(483)
Adjusted EBITDA	(147)	(206)	(934)	(1,607)

About EQ Works

EQ Works (www.eqworks.com) enables businesses to understand, predict, and influence customer behaviour. Using unique data sets, advanced analytics, machine learning and artificial intelligence, EQ Works creates actionable intelligence for businesses to attract, retain, and grow the customers that matter most. The Company's proprietary SaaS platform mines insights from movement and geospatial data, enabling businesses to close the loop between digital and real-world consumer actions.

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

Forward-Looking Statements

Certain statements contained in this press release constitute "forward-looking statements". All statements other than statements of historical fact contained in this press release, including, without limitation, those regarding the Company's future financial position and results of operations, strategy, plans, objectives, goals and targets, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "plan", "continue", "will", "may", "would", "anticipate", "estimate", "forecast", "predict", "project", "seek", "should" or similar expressions, or the negative thereof, are forward-looking statements. These statements are not historical facts but instead represent only the Company's expectations, estimates, and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks, and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied, or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance, or achievements to differ materially include, but are not limited to, the risk factors discussed in the Company's MD&A for the three and nine months ended September 30, 2024. Management provides forward-looking statements because it believes they provide useful information to investors when considering their investment objectives but cautions investors not to place undue reliance on forward-looking information. Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements and any other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this press release, and the Company assumes no obligation to update or revise them to reflect on subsequent information, events, circumstances or otherwise, except as required by law.

EQ Inc.

Peter Kanniah, Chief Financial Officer

1235 Bay Street, Suite 401| Toronto, Ontario |M5R 3K4

press@eqworks.com

EQ Inc.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 461	\$ 381
Restricted cash	48	48
Accounts receivable	2,949	3,962
Other current assets	145	206
	3,603	4,597
Non-current assets:		
Property and equipment	15	25
Intangible assets	800	985

	815	1,010
Total assets	\$ 4,418	\$ 5,607
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,754	\$ 3,237
Rewards payable	1,596	1,387
Loans and borrowings	310	1,568
	<u>4,660</u>	<u>6,192</u>
Non-current liabilities:		
Loans and borrowings	1,000	-
	<u>1,000</u>	<u>-</u>
Shareholders' deficiency	(1,242)	(585)

Total liabilities and shareholders' deficiency	\$ 4,418	\$ 5,607
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EQ Inc.

Unaudited Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)

(In thousands of Canadian dollars, except per share amounts)

Three and nine months ended September 30, 2024 and 2023

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 2,454	\$ 2,617	\$ 6,578	\$ 6,849
Expenses:				
Publishing costs	1,379	1,347	3,766	3,875
Employee compensation and benefits	802	893	2,374	2,917
Other operating expenses	423	593	1,381	1,704
Depreciation of property and equipment	5	8	18	27
Amortization of intangible assets	170	203	635	652

Restructuring costs	-	-	-	122
	<u>2,779</u>	<u>3,044</u>	<u>8,174</u>	<u>9,297</u>
Loss from operations	(325)	(427)	(1,596)	(2,448)
Finance income	4	3	7	8
Finance costs	(55)	(31)	(142)	(42)
Gain from acquisition-related transaction	975	483	975	483
	<u>599</u>	<u>28</u>	<u>(756)</u>	<u>(1,999)</u>
Net income (loss)	599	28	(756)	(1,999)
Total comprehensive income (loss)	599	28	(756)	(1,999)
Income (loss) per share:				
Basic and diluted	0.01	-	(0.01)	(0.03)

EQ Inc.

Unaudited Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

Nine months ended September 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net loss	(756)	(1,999)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation of property and equipment	18	27
Amortization of intangible assets	635	652
Share-based payments	9	40
	(1)	1

Unrealized foreign exchange loss (gain)

Finance costs, net	114	11
Gain from acquisition-related transaction	(975)	(483)
Change in non-cash operating working capital	1,759	563
Net cash from (used) in operating activities	<u>803</u>	<u>(1,188)</u>

Cash flows from financing activities:

Proceeds from (repayment) of loans and borrowings	(1,258)	868
Proceeds from loans and borrowings	1,000	-
Proceed from exercise of stock options	90	26
Interest paid	(105)	(18)
Net cash from (used) in financing activities	<u>(273)</u>	<u>876</u>

Cash flows from investing activities:

Interest income received	7	8
Increase in restricted cash	-	(49)
Purchase of property and equipment	(8)	(4)
Addition of intangible assets	(450)	(450)
Net cash used in investing activities	<u>(451)</u>	<u>(495)</u>
Increase (decrease) in cash	79	(807)
Foreign exchange gain (loss) on cash held in foreign currency	1	(1)
Cash, beginning of the period	381	1,253
Cash, end of the period	<u>\$ 461</u>	<u>\$ 445</u>

SOURCE: EQ Inc.