



NTG Clarity Networks Announces 2016 Year-End Financial Results

Toronto, ON / TNW-Accesswire / April 28, 2017 / NTG Clarity Networks Inc. (TSX.V:NCI) reports its year end results for the fiscal year ended December 31, 2016 (all figures in Canadian Dollars).

2016 has been an extremely challenging year for NTG Clarity. There were a number of factors that contributed to the hurdles faced by the Company, both operationally and financially. Three major factors are explained in more detail below:

- NTG's expansion plans conflicted with market slowdown: In Q4 2015 and the first half of 2016, we significantly expanded our location and customer base, resulting in significant selling and G&A cost increases. The uncertainty in the Middle East due to lower oil prices caused reduced spending in the Gulf region, our main revenue market, and as a result, new projects were cancelled or delayed. Highly skilled personnel were retained in anticipation of project renewals; however, after continuing delays, the company began to reduce expenses at the end of Q3 2016 as contracts expired.
- Significant capitalization of StageEM was impaired: During the first half of 2016, we continued to be heavily involved in the development of our new product, StageEM. We invested approximately \$4 million to develop StageEM; however, impairment testing at year-end resulted in the investment being written off as anticipated revenue from sales was delayed. Despite this write off, the major modules were successfully developed and we are now actively promoting the product for sale.
- Devaluation of Egyptian pound resulted in close to \$2 million loss in revenue and foreign exchange effect: Despite difficult conditions, NTG Egypt's revenue has been growing for the last few years. In November 2016, the Egyptian pound was floated, and its value quickly dropped from around 6.4 EGP to the Canadian dollar, to about 13.5 EGP to the Canadian dollar. NTG Egypt's unconsolidated revenue of approximately 27M EGP in 2016 translated to around \$1.7M at year end, resulting in a devaluation of about \$2M. This resulted in a loss in revenue of approximately \$1 million as well as almost \$1M in exchange loss on translation and foreign exchange loss.

In spite of the challenges faced by NTG Clarity during 2016, some of the key achievements during the year will enable us to achieve our success and growth objectives in the coming years:

- Solidified our position with our new customer base which is expected to lead to increased business.
- Introduced our new Stage Enterprise Management (StageEM) module called Voice Over WiFi, which is in high demand by network operators.
- Aggressively marketed our new product, StageEM, which was very positively received by our customers.

We continue to deliver NTS; our Operations Support System/Business Support System (OSS/BSS) product and the associated consulting services and training. NTS continues to generate meaningful revenue and we expect it to generate positive net cash inflows into the foreseeable future.



Income Statement Highlights for the Year Ended December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
REVENUE	\$ 11,372,455	\$ 15,532,514
COST OF SALES	9,437,286	10,654,373
GROSS PROFIT	\$ 1,935,169	\$ 4,878,141
Operating Expenses	7,401,310	3,417,226
Other Expenses	7,165,352	1,222,866
Net Income	\$ (12,526,486)	\$ 368,443
per share (basic)	\$ (0.35)	\$ 0.01
per share (fully diluted)	\$ (0.31)	\$ 0.01

Balance Sheet Highlights

	December 31, 2016	December 31, 2015
Current Assets	\$ 6,086,530	\$ 11,887,900
Current Liabilities	\$ 11,205,545	\$ 7,220,191
Long-Term Debt	\$ 12,620	\$ nil
Shareholder's Equity	\$ (2,397,344)	\$ 9,592,137

To better understand the financial results for the year ended December 31, 2016, it is important to discuss some key factors affecting Q4 2016 results. Consolidated revenues for the three months ended December 31, 2016 were \$599,251 compared to \$3,872,393 for the same period in 2015. The significant reduction in revenues was due to a write down in unbilled revenues of \$1,054,355, and an approximate \$1M reduction in revenues reported by the Egypt operating segment due to the devaluation of the Egyptian pound in November 2016.

Gross margin for Q4 2016 was (\$2,394,476) compared to \$342,151 for the same period in 2015. This was because of the high bad debt expense of \$1,698,654 (2015: 61,031), which included a provision for bad debt in the amount of \$644,299 (2015: \$61,031) and an impairment of unbilled revenue in the amount of \$1,054,355 (2015: \$Nil). We expect that a good portion of this unbilled revenue amount will be recognized in 2017. Gross margin for the year ending December 31, 2016 was only 17% because of this provision.

The Corporation's operating expenses were \$7,401,310 in 2016 compared to \$3,417,226 in the prior fiscal year and included significant increases in selling and G&A as a result of ramping up new selling initiatives and offices. After Q3 2016, management began staff, salary, selling and travel reductions to bring expenses more in line with existing revenues.

NTG Clarity reported a loss of \$8,649,236 in Q4 2016 compared to a loss of \$774,574 during the same period in 2015. For the 2016 year, the company had a net loss of \$12,526,486 compared to net income of \$368,446 in 2015. The significant net loss in 2016 was primarily due to the following:



- higher selling and G&A expenses ramped up at the end of 2015. As of the end of Q3 2016, we are working to reduce staff, salaries, and expenses to optimize for our lower revenue.
- a \$1.7M provision for bad debt and a \$1.1M write down of unbilled revenue.
- devaluation of Egyptian pound resulted in a close to \$2 million loss in revenue and foreign exchange effect
- the \$4M impairment of the StageEM intangible asset as anticipated revenue from sales was delayed.

Working capital as at December 31, 2016 was (\$5,119,015) compared to \$4,667,707 at December 31, 2016. The negative working capital was primarily due to a \$3.5 million reduction in accounts receivable because of delayed projects, and the use of working capital to fund the investment in the development of our new software product, StageEM.

Outlook

Looking towards the future, we are committed to bring NTG back to profitability and growth in 2017. Q1 2017 revenues are expected to be back in line with historical norms, and shareholders will see the reduction in costs we have worked to implement over the last two quarters. We will also focus on capitalizing on the goodwill we have with our existing customers to expand our business and increase our margins. We will concentrate on marketing our products NTS, StageEM and Voice Over WiFi, which are currently in high demand and have higher margins.

Ashraf Zaghloul, CEO of NTG Clarity stated, “I would like to thank our shareholders for their continued support through this challenging past year. Our renewed focus on existing customer goodwill and our newer customers will help us drive future growth. I am excited about the scope of new opportunities that lie ahead, as we have laid the foundation for the next few years.”

About NTG Clarity Networks Inc.

NTG Clarity Networks’ vision is to be a global leader in providing networking solutions. As a Canadian company established in 1992, NTG Clarity has delivered networking, IT and network enabled application software solutions to network service providers and large enterprises. More than 400 network professionals provide design, engineering, implementation, software development and security expertise to the industry’s leading network service providers and enterprises.

Forward Looking Information

Certain statements in this release, other than statements of historical fact, are forward looking information that involves various risks and uncertainties. Such statements relating to, among other things, the prospects for the company to enhance operating results, are necessarily subject to risks and uncertainties, some of which are significant in scope and nature.

These uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These and all subsequent written and oral forward looking statements are based on the estimates and opinions of the management on the dates they are made and expressly qualified in their entirety by this notice. The Company assumes no obligation to update forward looking statements should circumstances or management's estimates or opinions change.

The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.



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