

Newtopia Reports Third Quarter 2021 Financial Results

- **Return to growth, with revenues up 22% year-over-year and 15% sequentially**
- **Strong ongoing participant enrollment with a Fortune 50 client**
- **Record quarterly engagements of 37,000 participants**
- **New business development strategy positions the Company for year-over-year revenue growth in 2022 and further growth in 2023**
- **Recently received DTC approval from the US OTC with shares now also trading on the OTCQB® Venture Market in addition to the TSXV**
- **Q3 2021 conference call scheduled for November 10th at 5 PM ET**

TORONTO, Nov. 10, 2021 /CNW/ - Newtopia Inc. ("**Newtopia**" or the "**Company**") (TSXV: NEWU) (OTCQB: NEWUF), a tech-enabled habit change provider focused on disease prevention, today reported financial results for the third quarter 2021. All amounts are expressed in Canadian dollars, unless otherwise noted.

Third Quarter 2021 Financial Highlights (vs. Q3 2020):

- Revenue of \$2.9 million, as compared to \$2.4 million.
- Gross profit margin¹ of 50%, relatively consistent with the prior-year period.

"Newtopia experienced strong growth in the third quarter as a result of the successful rollout of a Fortune 50 health services client and the evolution towards more normalized pandemic-related operating procedures for our US clients. The return to top-line growth was anticipated following the significant enrollments during the second quarter that carried over into the third quarter. We continue to anticipate that the second-half of this year will see improvement over the first two quarters," said Jeff Ruby, Founder and CEO of Newtopia. "Gross margins also improved sequentially in the third quarter, totaling approximately 50% of revenue as recurring subscription revenue increased as a percentage of the total mix. Our successful participant rollouts over the summer brought our total third quarter engagements to a company record of 37,000."

Mr. Ruby continued, "The success of our business is largely driven by delivering proven physical and mental health risk reduction - whole person care outcomes - to innovative self-insured employers. We validated our success in a randomized controlled trial prior to commercializing. This disciplined evidence-based approach to growth has served us and our employer clients well. In response to the pandemic and overall macro-conditions impacting employers, we have expanded our business development efforts to go after a broader distribution of clients, large public and private health plans and risk bearing providers, which will vastly expand our addressable market. Leveraging our world class advisors, we've wired quickly into many of these new potential clients and our pipeline of business is strong. 2021 is setting the stage for growth in 2022, and we look forward to again proving out our financial and clinical results but this time to a broader, more diversified client base of health insurers."

Third Quarter 2021 Financial Results

Revenue for the three months ended September 30, 2021 was \$2.9 million, as compared to \$2.4 million in the prior-year period. Enrollment numbers improved over the course of the third quarter as the Company saw ongoing participant enrollment with a Fortune 50 health services client. Enrollment fee revenue totaled \$0.5 million for the third quarter, an increase of over 300% year-over-year.

Gross profit for the third quarter 2021 totaled \$1.4 million, as compared to \$1.2 million in the prior-year period. Gross profit is comprised of Newtopia's revenue less direct expenses, which include the cost of Welcome Kits sold to new participants as well as labour costs associated with hiring and training of the Company's coaching team of Inspirators. As a percentage of revenue, gross profit totaled 50%, relatively flat with the third quarter of 2020, but up sequentially from the second quarter gross margin of 42%.

Adjusted operating expenses² for the three months ended September 30, 2021 totaled \$2.4 million, compared to \$2.5 million in the prior-year period, as the Company continued to add technology, sales and marketing and administrative resources to support long-term growth and margin improvement.

For the quarter, the Company had an adjusted operating loss³ of \$1.0 million, compared to an adjusted operating loss of \$1.4 million in the prior-year period.

The Company ended the third quarter 2021 with \$0.5 million in cash and an outstanding loan balance of \$0.7 million against its \$7.5 million credit facility.

On September 20, 2021 the Company entered into an agreement with a leading Canadian Schedule I Bank to increase its revolving credit facility from \$5.0 million to \$7.5 million. This new credit facility, along with the previously announced \$2.5 million private placement offering, doubles the amount of growth capital available to the Company for working capital and general corporate purposes.

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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 costs, compensation expense for Inspirators and care specialists and genetic testing costs. Gross margin percentage is calculated by dividing gross profit by total revenue for the defined period. 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.

2021 Outlook

In line with the return to growth in the third quarter, Newtopia continues to expect that the second half of the year on a revenue basis will be stronger than that of the first half of the year. That said, Q3 2021 was particularly strong due to the significant increase in Welcome Kits sold mid-year, unlike prior years when onboarding typically commenced earlier in the year. As a result, the Company anticipates more moderate revenue performance in Q4 than in Q3, with full year 2021 revenue anticipated to be flat with the prior-year period. COVID-19's impact, though dissipating, has resulted in the Company's internal expectations for year-over-year revenue growth to be pushed out approximately one year. Importantly, however, the momentum in the second-half of 2021, along with an expanded business development effort, have set the Company up for a strong revenue run rate going into 2022.

In terms of capital expenditures, the Company now expects approximately \$2.2 million in capex for the year, with roughly \$1.7 million incurred to date. This compares to original estimates of \$1.8 million for the year. Of note, these expenditures will be capitalized over their lifetime. The Company has added further planned enhancements to its customer web and mobile app platforms and anticipates decreasing technology hiring expenses by leveraging more expert consultants than in-house professionals to build out key elements of its upgraded technology platform. An annual licensing cost associated with the existing CRM platform of approximately \$450,000 per year will also be eliminated once migration to the new technology platform is completed.

Newtopia continues to take a measured approach to adding expenses in support of growth and increases in expenses have been more modest than the Company's growth in revenue and gross profit. In light of the push in revenue growth towards the second-half of the year and the Company's investment in an important technology upgrade, Newtopia no longer anticipates exiting the year cash flow neutral from operations. That said, with a strong business development pipeline, the Company is instead striving to hit cash flow positive from operations in 2022.

Grants of Stock Options

Newtopia further announced today that its Board of Directors has approved the grant of 358,571 stock options to certain tenured employees and newly hired employees. The options issued to newly hired employees will expire five years from the date such employees complete their probationary period, and the exercise price will be based on the closing price of Newtopia's common shares on the trading day prior to the day these employees complete their probationary period. The options granted to tenured employees will be at an exercise price of CAD\$0.45 per common share and will expire five years from the grant date.

Conference Call

The Company will host a conference call today at 5:00 p.m. Eastern Time to discuss the third quarter 2021 results in further detail. To access the conference call, please dial (877) 407-3982 (U.S.) or (201) 493-6780 (International) ten minutes prior to the start time and reference Conference ID number 13723536. The call will also be available via live webcast on the investor relations portion of the Company's website located at investor.newtopia.com.

A replay of the conference call will be available through Wednesday, November 24, 2021 which can be accessed by dialing (844) 512-2921 (U.S.) or (412) 317-6671 (International) and entering the passcode 13723536. The webcast will also be archived on the Company's website.

About Newtopia

Newtopia is a tech-enabled habit change provider focused on disease prevention and reducing the cost of care for health insurers. As a provider of whole person care, we prevent, reverse and slow the progression of chronic disease while enriching mental health, resilience and overall human performance. Newtopia's programs leverage genetic, social and behavioral insights to create individualized prevention programs with a focus on type 2 diabetes, heart disease, stroke and weight. With a person-centered approach that combines virtual care, digital tools, connected devices and actionable data science, Newtopia delivers sustainable clinical and financial outcomes. Newtopia serves some of the largest nationwide employers and health plans and is currently listed on the Toronto Stock Exchange (TSXV: NEWU) (OTCQB: NEWUF). To learn more, visit newtopia.com, [Facebook](#), [LinkedIn](#) or [Twitter](#).

Forward Looking Information

This press 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 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, including without limitation, the Company's successful completion of its strategic technology projects (including on budget), continued and sustained high levels of client engagement and low client churn, the expansion of client relationships, the rollout of new clients, the conversion of pilot projects into full blown rollouts, the Company's ability to continue to grow its sales pipeline, the Company's ability to negotiate an enhanced credit facility with its Schedule I bank lender or any other lender(s) on favorable terms or at all, and current financial trends remaining at or above the current levels in respect of revenue, gross profit, gross margin percentage and adjusted operating expenses. 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.

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 business 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue	2,904,863	2,389,374	8,053,055	8,939,415
Cost of sales	(1,460,870)	(1,213,393)	(4,219,501)	(4,698,576)
Gross profit	<u>1,443,993</u>	<u>1,175,981</u>	<u>3,833,554</u>	<u>4,240,839</u>
Gross margin	50%	49%	48%	47%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Total expenses	2,548,945	2,931,316	9,672,279	9,044,293
Add (Subtract)				
Share-based compensation	(45,122)	(120,528)	(932,065)	(376,619)
Depreciation of property and equipment	(16,163)	(19,012)	(50,938)	(61,905)
Depreciation of right-of-use asset	(46,192)	(46,192)	(138,579)	(138,578)
Interest and accretion expense	-	-	-	(233,542)
Interest on lease obligations	(27,875)	(35,269)	(88,189)	(109,967)
Interest on promissory note	-	(8,219)	-	(8,219)
Finance charges	(23,802)	(10,995)	(44,750)	(10,995)
Amortization of deferred finance charges	(27,890)	-	(112,926)	-
Foreign exchange gain/(loss)	34,524	(39,778)	(32,414)	56,713
Change in value of convertible debenture derivative liabilities	-	-	-	(448,656)
Change in value of derivative liability	-	(111,680)	47,508	(63,804)
Loss on settlement of related party payable	-	-	-	(167,716)
Adjusted operating expenses	<u>2,396,425</u>	<u>2,539,643</u>	<u>8,319,926</u>	<u>7,481,005</u>

Adjusted Operating Loss ^[3]

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Gross profit	1,443,993	1,175,981	3,833,554	4,240,839
Adjusted operating expenses	<u>(2,396,425)</u>	<u>(2,539,643)</u>	<u>(8,319,926)</u>	<u>(7,481,005)</u>
	<u>(952,432)</u>	<u>(1,363,662)</u>	<u>(4,486,372)</u>	<u>(3,240,166)</u>

NEWTOPIA INC.

Condensed Interim Statements of Financial Position (Unaudited)
As at September 30, 2021 and December 31, 2020
(Expressed in Canadian Dollars)

	September 30, 2021	December 31, 2020
	\$	\$
Assets		
Current assets		
Cash	467,932	4,673,683
Trade and other receivables	1,792,836	1,067,123
Unbilled revenue	134,000	426,000
Prepaid expenses and deposits	349,133	465,285
Inventories	155,593	278,696
Deferred costs	184,203	232,089
	3,083,697	7,142,876
Property and equipment	82,000	129,913
Right-of-use asset	415,726	554,305
Intangible asset	1,726,296	68,948
	5,307,719	7,896,042
Liabilities		
Current liabilities		
Trade and other payables	1,786,719	2,765,583
Credit facility	666,800	–
Lease obligations	285,436	215,532
Deferred revenue	66,682	–
Contract liability	160,000	–
Derivative liability	–	47,508
	2,965,637	3,028,623
Non-current lease obligations	446,391	667,558
Debentures	2,135,965	–
	5,547,993	3,696,181
Equity/Deficit		
Common shares	45,177,120	44,648,952
Common shares to be issued	–	528,168
Contributed surplus	11,460,863	10,046,621
Deficit	(56,878,257)	(51,023,880)
	(240,274)	4,199,861
	5,307,719	7,896,042

NEWTOPIA INC.

Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited) Three and Nine Months Ended September 30, 2021 and 2020 (Expressed in Canadian Dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Revenue	2,904,863	2,389,374	8,053,055	8,939,415
Cost of revenue	1,460,870	1,213,393	4,219,501	4,698,576
Gross profit	1,443,993	1,175,981	3,833,554	4,240,839
Operating expenses				
Technology and development	715,966	812,228	2,428,187	2,382,216
Sales and marketing	644,184	781,307	2,543,717	2,324,985
General and administrative	1,036,275	946,108	3,348,022	2,773,804
Share-based compensation	45,122	120,528	932,065	376,619
	2,441,547	2,660,171	9,251,991	7,857,624
Other expenses (income)				
Depreciation of property and equipment	16,163	19,012	50,938	61,905
Depreciation of right-of-use asset	46,192	46,192	138,579	138,578
Interest on lease obligations	27,875	35,269	88,189	109,967
Interest on promissory note	–	8,219	–	8,219
Finance charges	39,454	10,995	60,402	244,537
Amortization of deferred finance charges	27,890	–	112,926	–
Foreign exchange (gain)/loss	(34,524)	39,778	32,414	(56,713)
Change in value of convertible debenture derivative liabilities	–	–	–	448,656
Change in value of derivative liability	–	111,680	(47,508)	63,804

Loss on settlement of related party payable	-	-	-	167,716
	123,050	271,145	435,940	1,186,669
Net loss and comprehensive loss	(1,120,604)	(1,755,335)	(5,854,377)	(4,803,454)
Loss per share				
Basic and diluted	(0.01)	(0.02)	(0.06)	(0.09)
Weighted average number of common shares outstanding				
Basic and diluted	100,492,786	91,010,143	100,302,490	56,464,872

NEWTOPIA INC.

Condensed Interim Statements of Changes in Equity (Deficit) (Unaudited) Nine Months Ended September 30, 2021 and 2020 (Expressed in Canadian Dollars)

	Common Shares	Shares To Be Issued	Preferred Shares	Special Warrants	Contributed Surplus	Deficit	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, December 31, 2020	44,648,952	528,168	-	-	10,046,621	(51,023,880)	4,199,861
Net loss and comprehensive loss	-	-	-	-	-	(5,854,377)	(5,854,377)
Share-based compensation	-	-	-	-	932,065	-	932,065
Warrants issued on issuance of Debentures	-	-	-	-	216,588	-	216,588
Issuance of shares	528,168	(528,168)	-	-	-	-	-
Settlement of related party payable	-	-	-	-	265,589	-	265,589
Balance, September 30, 2021	45,177,120	-	-	-	11,460,863	(56,878,257)	(240,274)
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	-	-	-	-	-	(4,803,454)	(4,803,454)
Share-based compensation	-	-	-	-	376,619	-	376,619
Conversion of Convertible Debenture	6,039,000	-	-	-	589,594	-	6,628,594
Modification of warrants	-	-	-	-	87,650	(87,650)	-
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 related party payable	-	528,168	-	-	39,548	-	567,716
Exercise of warrants	877,775	-	-	-	(248,275)	-	629,500
Balance, September 30, 2020	38,804,666	528,168	-	-	8,369,411	(48,095,488)	(393,243)

NEWTOPIA INC.

Condensed Interim Statements of Cash Flows (Unaudited) Nine Months Ended September 30, 2021 and 2020 (Expressed in Canadian Dollars)

	Nine Months Ended September 30,	
	2021	2020
	\$	\$
Cash flows used in operating activities:		
Net loss and comprehensive loss	(5,854,377)	(4,803,454)
Items not involving cash:		
Depreciation of property and equipment	50,938	61,905
Depreciation of right-of-use asset	138,579	138,578
Amortization of deferred finance charges	112,926	-
Share-based compensation	932,065	376,619
Interest and accretion expense	15,652	233,542
Interest on lease obligations	88,189	109,967
Interest on promissory note	-	8,219
Loss on settlement of related party payable	-	167,716
Change in value of convertible debenture derivative liabilities	-	448,656
Change in value of derivative liability	(47,508)	63,804
	(4,563,536)	(3,194,448)
Net change in non-cash working capital		
Trade and other receivables	(725,713)	408,998
Inventories	123,103	381,258
Unbilled revenue	292,000	-

Prepaid expenses and deposits	116,152	(47,144)
Trade and other payables	(713,275)	(173,889)
Deferred revenue	66,682	–
Contract liability	160,000	–
	(5,244,587)	(2,625,225)
Cash flows used in investing activities		
Purchase of property and equipment	(3,025)	(15,725)
Intangible asset development costs	(1,657,348)	–
	(1,660,373)	(15,725)
Cash flows from (used in) financing activities:		
Repayment of lease obligations	(239,452)	(214,046)
Credit facility withdrawals	3,829,254	–
Credit facility repayments	(3,162,454)	–
Financing costs	(65,040)	–
Proceeds from promissory note	–	500,000
Proceeds from issuance of debentures, net of issuance costs	2,336,901	–
Proceeds from exercise of non-broker warrants	–	629,500
	2,699,209	915,454
Decrease in cash	(4,205,751)	(1,725,496)
Cash, beginning of period	4,673,683	2,386,341
Cash, end of period	467,932	660,845

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