newtopia

Newtopia Reports First Quarter 2022 Financial Results

- **Record quarterly participant engagements of 38,000, up 27% year-over-year**
- **Q1 2022 revenue of $2.9 million, up 9.5% year-over-year**
- **Outstanding 24-month outcomes of Behavioral Economic Medical Trial with Fortune 50 Financial Services Client**
- **Q1 2022 conference call scheduled for May 18, 2022 at 5 PM ET**

TORONTO, May 18, 2022 /CNW/ - Newtopia Inc. ("**Newtopia**" or the "**Company**") (TSXV: NEWU) (OTCQB: NEWUF), a tech-enabled habit change provider focused on preventing, slowing and reversing chronic disease, today announced its first quarter 2022 financial results and operational highlights. These results pertain to the three months ended March 31, 2022 and are expressed in Canadian dollars, unless otherwise noted.

First Quarter 2022 Financial Highlights (vs. Q1 2021):

- Revenue of $2.9 million, as compared to $2.6 million.
- Gross profit margin[1] of 47%, as compared to 50%. Decline in gross margin resulting from the increase in Welcome Kits sold during the quarter which carry a lower margin.

"Newtopia had a strong start to 2022, with revenue of $2.9 million, up 9.5% from the prior-year period and up 19.3% sequentially," said Jeff Ruby, Founder and CEO of Newtopia. "In addition, we saw strong momentum in our participant engagement, with the total number of engagements reaching an all-time high of 38,000, a new company record. Importantly, with churn rates remaining low and customer stickiness high, we are delivering some of the best engagement levels in our history."

Mr. Ruby continued, "Just post the first quarter, we successfully closed on a $3.5 million private placement, strengthening our balance sheet and providing us with the working capital to continue to promote our long-term growth plan. We also recently received the green light to expand our partnership with one of our long-standing Fortune 50 financial services clients into their employee base in Florida. This expansion follows the successful delivery of outcomes from a 24-month novel behavioral economic trial, all of which remarkably took place during the pandemic. I am very proud of our team's accomplishments this past quarter and remain confident that our business is very well positioned to achieve full year revenue growth in 2022."

First Quarter 2022 Financial Results

Revenue for the three months ended March 31, 2022 was $2.9 million, as compared to $2.6 million in the prior-year period. This increase in revenue was largely the result of strong enrollment and engagement numbers during the quarter. Engagement fee revenue totaled $2.5 million for the first quarter, up from $2.0 million in the prior-year period.

Gross profit for the first quarter 2022 totaled $1.3 million, relatively consistent with 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 labor costs associated with hiring and training of the Company's coaching team of Inspirators. As a percentage of revenue, gross profit totaled 47%, compared to 50% in the prior-year period. Please note, that Welcome Kits carry lower margins, so as participant enrollment increases, margins tend to decline. Nevertheless, as Welcome Kit sales translate into recurring engagement fee revenue, gross margins improve over time.

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.

Adjusted operating expenses[2] for the three months ended March 31, 2022 totaled $2.6 million, compared to $2.9 million in the prior-year period. This decline in adjusted operating expenses is the result of a reduction in headcount and compensation costs tied to an expense right-sizing effort initiated by the Company in the fourth quarter of 2021.

For the quarter, the Company had an adjusted operating loss[3] of $1.2 million, or a loss of $0.02 per diluted share, compared to an adjusted operating loss of $1.6 million, also a loss of $0.02 per diluted share, in the prior-year period.

The Company ended the first quarter 2022 with $1.05 million in cash and an outstanding loan balance of $3.8 million against its $7.5 million credit facility. Post-quarter end, the Company successfully closed on a brokered private placement facility offering of 16,950,000 units at a price of $0.20 per Unit, for aggregate proceeds of $3,390,000. The Company also currently completed a non-brokered private placement of 550,000 units for aggregate gross proceeds of $110,000.

2022 Outlook

The Company continues to anticipate achieving full year revenue growth for 2022 over 2021. Revenue growth will be more heavily weighted towards the second half of the year as Newtopia rolls out new customer phases onto its platform in the third and fourth quarters, including the recent expansion in Florida with a Fortune 50 financial services client.

Newtopia continues to expect approximately $0.5 million in capex for 2022. A significant portion of this capital expenditure will be directly related to the launch of a new version of the Newtopia platform on the Company's own architecture in the second half of this year. Once the migration to this new platform is complete, an annual licensing cost associated with the existing CRM platform of approximately $450,000 per year will be eliminated. Newtopia also anticipates that the Company will see improved gross profit margins over time after the launch of its new platform. These expenditures will be capitalized and amortized over their lifetime. Newtopia takes a measured approach to adding expenses in support of growth, and, as such, with the anticipated top line growth, the Company continues to strive to be cash flow positive from operations as it exits 2022.

Grants of Stock Options

Newtopia further announced today that its Board of Directors has approved the grant of 1,140,000 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$0.235 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 first quarter 2022 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 13729573. 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, June 1, 2022 which can be accessed by dialing (844) 512-2921 (U.S.) or (412) 317-6671 (International) and entering the passcode 13729573. The webcast will also be archived on the Company's website.

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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.

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 and quoted on the OTC Venture Market in the U.S. (TSXV: NEWU) (OTCQB: NEWUF). To learn more, visit newtopia.com, 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, 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.

Should any factor affect Newtopia 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 the 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 news release.

Key Financial Measures and Schedule of Non-GAAP Reconciliations

	Three Months Ended March 31, 2022	2021
	$	$
Revenue	2,866,714	2,619,171
Cost of sales	(1,517,836)	(1,300,867)
Gross profit	1,348,878	1,318,304
Gross margin	*47%*	*50%*

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

	Three Months Ended March 31, 2022	2021
	$	$
Total expenses	2,976,571	3,594,792
Add (Subtract)		
Share-based compensation	(132,508)	(549,820)
Depreciation of property and equipment	(14,380)	(17,972)
Depreciation of right-of-use asset	(46,195)	(46,195)
Interest on lease obligations	(22,979)	(31,268)
Interest and accretion expense	(97,290)	-
Finance charges	(37,110)	(5,136)
Amortization of deferred finance charges	(58,800)	(38,916)
Foreign exchange loss	(15,033)	(27,796)
Change in value of derivative liability	-	44,519
Capitalized borrowing costs	29,000	-
Adjusted operating expenses	2,581,276	2,922,208

Adjusted Operating Loss [3]

	Three Months Ended March 31, 2022	2021
	$	$
Gross profit	1,348,878	1,318,304
Adjusted operating expenses	(2,581,276)	(2,922,208)
	(1,232,398)	(1,603,904)

NEWTOPIA INC.

Condensed Interim Statements of Financial Position (Unaudited)
As at March 31, 2022 and December 31, 2021
(Expressed in Canadian Dollars)

	March 31, 2022	December 31, 2021 (Audited)
	$	$
Assets		
Current assets		
Cash	**1,048,427**	811,584
Trade and other receivables	**1,572,541**	1,381,977
Prepaid expenses and deposits	**256,354**	330,992
Inventories	**199,233**	131,000
Deferred costs	**119,453**	162,872
	3,196,008	2,818,425
Property and equipment	**53,555**	66,147
Right‐of‐use asset	**323,343**	369,538
Intangible asset	**2,728,951**	2,251,852
	6,301,857	5,505,962
Liabilities		
Current liabilities		
Trade and other payables	**2,610,657**	1,965,420
Credit facility	**3,845,302**	2,331,314
Lease obligations	**316,250**	300,555
Contract liability	**281,588**	144,034
Deferred revenue	**54,967**	59,549
	7,108,764	4,800,872
Non‐current lease obligations	**280,314**	367,001
Debentures	**2,228,793**	2,182,403
	9,617,871	7,350,276
Equity/Deficit		

Common shares	**45,177,120**	45,177,120
Contributed surplus	**11,808,193**	11,652,200
Deficit	**(60,301,327)**	(58,673,634)
	(3,316,014)	(1,844,314)
	6,301,857	5,505,962

NEWTOPIA INC.

Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited)
Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	$	$
Revenue	**2,866,714**	2,619,171
Cost of revenue	**1,517,836**	1,300,867
Gross profit	**1,348,878**	1,318,304
Operating expenses		
Technology and development	**806,295**	730,007
Sales and marketing	**644,211**	976,482
General and administrative	**1,130,770**	1,215,719
Share-based compensation	**132,508**	549,820
	2,713,784	3,472,028
Other expenses (income)		
Depreciation of property and equipment	**14,380**	17,972
Depreciation of right-of-use asset	**46,195**	46,195
Interest and accretion expense	**97,290**	-
Interest on lease obligations	**22,979**	31,268
Finance charges	**37,110**	5,136
Amortization of deferred finance charges	**58,800**	38,916
Foreign exchange loss	**15,033**	27,796
Capitalized borrowing costs	**(29,000)**	-
Change in value of derivative liability	**-**	(44,519)
	262,787	122,764
Net loss and comprehensive loss	**(1,627,693)**	(2,276,488)

NEWTOPIA INC.

Condensed Interim Statements of Changes in Equity (Unaudited)
Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Common Shares	**Shares To Be Issued**	**Contributed Surplus**	**Deficit**	**Total**
	$	**$**	**$**	**$**	**$**
Balance, December 31, 2021	**45,177,120**	**-**	**11,652,200**	**(58,673,634)**	**(1,844,314)**
Net loss and comprehensive loss	-	-	-	(1,627,693)	(1,627,693)
Share-based compensation	-	-	132,508	-	132,508
Settlement of related party payable	-	-	23,485	-	23,485
Balance, March 31, 2022	**45,177,120**	**-**	**11,808,193**	**(60,301,327)**	**(3,316,014)**
Balance, December 31, 2020	**44,648,952**	**528,168**	**10,046,621**	**(51,023,880)**	**4,199,861**
Net loss and comprehensive loss	-	-	-	(2,276,488)	(2,276,488)
Share-based compensation	-	-	549,820	-	549,820
Settlement of related party payable	-	-	70,886	-	70,886
Issuance of shares	528,168	(528,168)	-	-	-
Balance, March 31, 2021	**45,177,120**	**-**	**10,667,327**	**(53,300,368)**	**2,544,079**

NEWTOPIA INC.

Condensed Interim Statements of Cash Flows
Three Months Ended March 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	**2021**
	$	$
Cash flows used in operating activities		
Net loss and comprehensive loss	**(1,627,693)**	(2,276,488)
Items not involving cash:		
Depreciation of property and equipment	**14,380**	17,972
Depreciation of right-of-use asset	**46,195**	46,195
Capitalized borrowing costs	**(29,000)**	-

Amortization of deferred finance charges	**58,800**	38,916
Accretion expense	**46,390**	-
Interest on lease obligations	**22,979**	31,268
Change in value of derivative liability	**-**	(44,519)
Stock based compensation	**132,508**	549,820
	(1,335,441)	(1,636,836)
Change in non cash working capital		
Trade and other receivables	**(190,564)**	(26,551)
Prepaid expenses and deposits	**74,638**	(129,371)
Inventories	**(68,233)**	1,137
Trade and other payables	**668,722**	(48,209)
Contract liability	**137,554**	367,000
Deferred revenue	**(4,582)**	-
	(717,906)	(1,472,830)
Cash flows used in investing activities		
Purchase of property and equipment	**(1,788)**	-
Intangible asset development costs	**(448,099)**	(471,493)
	(449,887)	(471,493)
Cash flows provided by (used in) financing activities:		
Credit facility withdrawals	**2,318,568**	-
Credit facility repayments	**(804,580)**	-
Credit facility financing costs	**(15,381)**	(10,990)
Repayment of lease obligations	**(93,971)**	(89,795)
	1,404,636	(100,785)
Net change in cash during the period	**236,843**	(2,045,108)
Cash, beginning of period	**811,584**	4,673,683
Cash, end of period	**1,048,427**	2,628,575
Supplemental cash flow information		
Non cash settlement of related party payable	**23,485**	70,886
Interest paid	**84,264**	-

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