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Newtopia Reports Fourth Quarter and Full Year 2022 Financial Results

- Record annual engagements of 149,000, an increase of 10% year-over-year
- Revenue up 30% and 7% year-over-year for the fourth quarter and full year 2022, respectively
- Multi-year contract renewals across installed client base in 2022
- Ongoing cost optimization to position Company toward profitability in 2023
- Q4 and FY 2022 conference call scheduled for April 18, 2023 at 5 pm ET

TORONTO, April 18, 2023 /CNW/ - Newtopia Inc. ("**Newtopia**" or the "**Company**") (TSXV: NEWU) (OTCQB: NEWUF), a tech-enabled whole health platform creating sustainable habits that prevent, slow, and reverse chronic disease, today announced its fourth quarter and fiscal 2022 financial results, operational highlights and filing of its annual financial statements. These results pertain to the three months and year ended December 31, 2022. All amounts are expressed in Canadian dollars, unless otherwise noted.

Fourth Quarter 2022 Financial Highlights (vs. Q4 2021):

- Revenue of $3.1 million, as compared to $2.4 million.
- Gross profit margin[1] of 65%, as compared to 52%.

Full Year 2022 Financial Highlights (vs. 2021):

- Revenue of $11.2 million, as compared to $10.5 million.
- Gross profit margin[1] of 54%, as compared to 49%.

"The past twelve months were crucial to the lifecycle and development of Newtopia. Not only did we grow our revenue year-over-year, but we also achieved a record number of engagements on our platform, actively expanded our gross margins, and secured multi-year contract renewals across our installed client base. Following a strategic pivot taken in the third quarter in which we re-evaluated our operations and actively cut expenses, Newtopia is on a clear path to profitability in 2023. These accomplishments are a testament to our remarkable team and the industry-leading results delivered by our outcomes-based platform," said Jeff Ruby, Founder and CEO of Newtopia.

Ruby continued, "Newtopia is sitting at a positive inflection point. We've returned to top-line growth and continued to deepen our relationships with our current client base all while actively expanding our new business pipeline across self-insured employers and innovative health plans. With recent client expansions and multi-year renewals, the prevailing belief that unchecked chronic disease is one of the greatest cost generators across the entire healthcare system, and a new class of effective GLP-1 diabetes and obesity drugs hitting the market requiring effective behavior change for sustained weight loss, there's never been a better time to invest in primary prevention behavior change. We look forward to a successful and profitable 2023."

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, genetic testing costs and amortization of intangibles. 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.

Fourth Quarter 2022 Financial Results

Revenue for the three months ended December 31, 2022 was $3.1 million, an increase of 30% compared to $2.4 million in the prior-year period. Enrollment fee revenue, or revenue from Welcome Kit sales, totaled 8% of revenue for the quarter.

Gross profit for the fourth quarter 2022 totaled $2.0 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 labor costs associated with hiring and training of the Company's coaching team of Inspirators and amortization of intangibles. As a percentage of revenue, gross profit totaled 65%, compared to 52% in the prior-year period.

Adjusted operating expenses[1] for the three months ended December 31, 2022 totaled $2.8 million, compared to $2.6 million in the prior-year period. For the fourth quarter, the Company had an adjusted operating loss[2] of $0.7 million, compared with an adjusted operating loss of $1.4 million in the prior-year period.

The Company ended the fourth quarter 2022 with approximately $0.35 million in cash, with access to $1.5 million in equity raised via private placement in March 2023.

1 Adjusted operating expenses consist of all cash-based technology, sales and marketing and administrative expenses. 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.

2 Adjusted operating loss consists of adjusted gross profit less adjusted operating expenses. Adjusted gross profit and 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.

Full Year 2022 Financial Results

Revenue for the full year ended December 31, 2022 was $11.2 million, an increase of 7% compared to $10.5 million in the prior year. Engagements totaled 149,000 for the full year, an increase of 10% year-over-year. Enrollment fee revenue, or revenue from Welcome Kit sales, totaled 11% of revenue for the year.

Gross profit for the year totaled $6.0 million, as compared to $5.1 million in 2021. As a percentage of revenue, gross profit totaled 54%, up from the prior year of 49%.

Adjusted operating expenses[2] for the year totaled $11.7 million, as compared to $11.0 million in the prior year. For the full year ended December 31, 2022, the Company had an adjusted operating loss[3] of $5.7 million compared to $5.9 million in 2021.

2023 Outlook

Following the momentum heading out of 2022, along with the strength of Newtopia's new business pipeline, the Company anticipates both top and bottom-line year-over-year growth in 2023. In addition, due to continued strategic expense management, including additional expense cuts made in the first quarter of the current year, Newtopia anticipates that the Company is currently on a clear path to Adjusted EBITDA and cash flow positive within 2023. Profitability is anticipated to build throughout the year, with the bottom line improving incrementally each quarter.

Conference Call

The Company will host a conference call today at 5 p.m. Eastern Time to discuss the fourth quarter and full year 2022 results in further detail. To access the conference call, please dial (877) 407-3982 (U.S.) or (201) 493-6780 (International) 10 minutes prior to the start time and reference Conference ID number 13736051. 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 May 2, 2023 which can be accessed by dialing (844) 512-2921 (U.S.) or (412) 317-6671 (International) and entering the passcode 13736051. 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. 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 adjusted gross profit less adjusted operating expenses. Adjusted gross profit and 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. To learn more, visit newtopia.com , LinkedIn or Twitter.

Pre-Released Financial Metrics

This news release contains certain pre-released fourth quarter and full year financial metrics. The fourth quarter and full year financial metrics contained in this news release are preliminary and represent the most current information available to the Company's management, as financial closing procedures for the three months and year ended December 31, 2022 are not yet complete. The Company's actual audited financial statements for such period will be filed with the securities regulatory authorities in certain provinces of Canada and available at www.sedar.com, on or before the filing deadline of April 30, 2023, and may result in material changes to the financial metrics summarized in this news release (including by any one financial metric, or all of the financial metrics, being below or above the figures indicated) as a result of the completion of normal quarter and year end accounting procedures and adjustments, and also what one might expect to be in the final financial statements based on the financial metrics summarized in this news release. Although the Company believes the expectations reflected in this news release are based upon reasonable assumptions, the Company can give no assurance that actual results will not differ materially from these expectations.

Forward Looking Statements

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. 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. 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. Forward-looking statements are not a guarantee and are based on a number of estimates and assumptions management believes to be relevant and reasonable, 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 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 release.

Key Financial Measures and Schedule of Non-GAAP Reconciliations

Unaudited Gross Profit Information [1]

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	$	$	$	$
Revenue	3,114,317	2,402,793	11,166,428	10,455,848
Cost of revenue	(1,079,576)	(1,164,683)	(5,140,369)	(5,384,184)
Gross profit	2,034,741	1,238,110	6,026,059	5,071,664
Gross margin	*65 %*	*52 %*	*54 %*	*49 %*

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	$	$	$	$
Total expenses	3,624,640	3,033,487	13,726,522	12,721,418
Add (Subtract)				
Share-based compensation	(88,608)	(139,210)	(492,720)	(1,071,275)
Depreciation of property and equipment	(6,713)	(15,652)	(46,387)	(66,590)
Loss on disposal of property and equipment	(15,534)	-	(15,534)	-
Depreciation of right-of-use asset	(30,791)	(46,188)	(169,370)	(184,767)
Lease modification	(150,907)	-	(150,907)	-
Interest on lease obligations	(10,050)	(25,525)	(70,797)	(113,714)
Interest and accretion expense	(111,564)	(97,338)	(388,448)	(112,990)
Finance charges	(125,920)	(22,592)	(273,736)	(67,342)
Capitalized borrowing costs	-	39,200	67,000	39,200
Foreign exchange loss (gain)	(9,945)	(2,236)	19,053	(34,650)
Impairment of right-of-use asset	(200,168)	-	(200,168)	-

Amortization of deferred finance charges	(56,903)	(61,471)	(248,813)	(174,397)
Change in value of derivative liability	-	-	-	47,508
Adjusted operating expenses	2,817,537	2,643,511	11,755,695	10,963,437

Adjusted Unaudited Operating Loss [3]

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
	$	$	$	$
Gross profit	2,034,741	1,238,110	6,026,059	5,071,664
Add amortization of intangibles	68,838	-	68,838	-
Adjusted gross profit	2,103,579	1,238,110	6,094,897	5,071,664
Adjusted operating expenses	(2,817,537)	(2,643,511)	(11,755,695)	(10,963,437)
Adjusted operating loss	(713,958)	(1,405,401)	(5,660,798)	(5,891,773)

NEWTOPIA INC.

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

	2022	2021
	$	$
Assets		
Current assets		
Cash	**345,950**	811,584
Trade and other receivables	**1,557,640**	1,381,977
Contract asset	**190,000**	–
Prepaid expenses and deposits	**205,843**	330,992
Inventories	**325,571**	131,000
Deferred costs	**76,269**	162,872
	2,701,273	2,818,425
Property and equipment	**8,052**	66,147
Right–of–use asset	**–**	369,538
Intangible asset	**3,235,363**	2,251,852
	5,944,688	5,505,962
Liabilities		
Current liabilities		
Trade and other payables	**2,584,039**	1,965,420
Credit facility	**4,823,545**	2,331,314
Lease obligations	**544,700**	300,555
Contract liability	**–**	144,034
Deferred revenue	**48,185**	59,549
Debentures	**2,409,103**	–
	10,409,572	4,800,872
Non–current lease obligations	**–**	367,001
Debentures	**1,068,772**	2,182,403
	11,478,344	7,350,276
Equity/Deficit		
Common shares	**47,978,992**	45,177,120
Contributed surplus	**12,861,449**	11,652,200
Deficit	**(66,374,097)**	(58,673,634)
	(5,533,656)	(1,844,314)
	5,944,688	5,505,962

NEWTOPIA INC.

Unaudited Statements of Loss and Comprehensive Loss
Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	$	$
Revenue	**11,166,428**	10,455,848
Cost of revenue	**5,140,369**	5,384,184
Gross profit	**6,026,059**	5,071,664
Operating expenses		
Technology and development	**3,923,663**	3,126,963
Sales and marketing	**2,720,728**	3,156,822
General and administrative	**5,111,304**	4,679,652
Share–based compensation	**492,720**	1,071,275
Depreciation of property and equipment	**46,387**	66,590
Loss on disposal of property and equipment	**15,534**	–
Depreciation of right–of–use asset	**169,370**	184,767
Lease modification	**150,907**	–
	12,630,613	12,286,069
Other expenses (income)		
Interest on lease obligations	**70,797**	113,714

Interest and accretion expense	**388,448**	112,990
Finance charges	**273,736**	67,342
Capitalized borrowing costs	**(67,000)**	(39,200)
Foreign exchange (gain)/loss	**(19,053)**	34,650
Impairment of right–of–use asset	**200,168**	–
Loss on settlement of debt	**–**	18,964
Amortization of deferred finance charges	**248,813**	174,397
Change in value of derivative liability	**–**	(47,508)
	1,095,909	435,349
Net loss and comprehensive loss	**(7,700,463)**	(7,649,754)

NEWTOPIA INC.

Unaudited Statements of Changes in Equity (Deficit)
Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	Common Shares	Shares To Be Issued	Contributed Surplus	Deficit	Total
	$	$	$	$	$
Balance, January 1, 2021	**44,648,952**	**528,168**	**10,046,621**	**(51,023,880)**	**4,199,861**
Net loss and comprehensive loss	–	–	–	(7,649,754)	(7,649,754)
Share–based compensation	–	–	1,071,275	–	1,071,275
Warrants issued on issuance of 8% Debenture Units	–	–	216,588	–	216,588
Issuance of shares	528,168	(528,168)	–	–	–
Settlement of related party payable	–	–	317,716	–	317,716
Balance, December 31, 2021	**45,177,120**	**–**	**11,652,200**	**(58,673,634)**	**(1,844,314)**
Net loss and comprehensive loss	–	–	–	(7,700,463)	(7,700,463)
Share–based compensation	–	–	492,720	–	492,720
Private Placement Offering of Units, net of issuance costs	2,624,495	–	511,839	–	3,136,334
Compensation options issued to brokers	(83,230)	–	83,230	–	–
Adjustment of issuance costs of 8% Debenture Units	–	–	4,733	–	4,733
Shares issued on issuance of 13% Debenture Units	260,607	–	–	–	260,607
Settlement of related party payable	–	–	116,727	–	116,727
Balance, December 31, 2022	**47,978,992**	**–**	**12,861,449**	**(66,374,097)**	**(5,533,656)**

NEWTOPIA INC.

Unaudited Statements of Cash Flows
Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

	2022	2021
	$	$
Cash flows used in operating activities		
Net loss and comprehensive loss	**(7,700,463)**	(7,649,754)
Items not involving cash:		
Depreciation of property and equipment	**46,387**	66,590
Depreciation of right–of–use asset	**169,370**	184,767
Impairment of right–of–use asset	**200,168**	–
Lease modification	**150,907**	–
Amortization of intangible asset	**68,838**	–
Amortization of deferred finance charges	**248,813**	174,397
Capitalized borrowing costs	**(67,000)**	(39,200)
Accretion expense	**184,848**	62,090
Interest on lease obligations	**70,797**	113,714
Loss on disposal of property and equipment	**15,534**	–
Change in value of derivative liability	**–**	(47,508)
Share–based compensation	**492,720**	1,071,275
Loss on settlement of debt	**–**	18,964
	(6,119,081)	(6,044,665)
Change in non–cash working capital		
Trade and other receivables	**(175,663)**	(314,854)
Prepaid expenses and deposits	**125,149**	134,293
Inventories	**(194,571)**	147,696
Trade and other payables	**794,346**	(94,221)
Contract asset/liability	**(334,034)**	162,844
Deferred revenue	**(11,364)**	59,549
	(5,915,218)	(5,949,358)
Cash flows used in investing activities		
Purchase of property and equipment	**(3,826)**	(2,824)
Intangible asset development costs	**(985,349)**	(2,143,704)
	(989,175)	(2,146,528)
Cash flows from financing activities:		
Credit facility withdrawals	**9,396,285**	6,352,152
Credit facility repayments	**(6,904,054)**	(4,020,838)
Credit facility financing costs	**(162,210)**	(105,180)
Proceeds from promissory notes	**550,000**	–
Repayment of promissory notes	**(550,000)**	–
Proceeds from debenture units, net of closing costs	**1,316,964**	2,336,901
Repayment of lease obligation	**(344,560)**	(329,248)

Proceeds from private placement offering, net of share issuance costs	**3,136,334**	–
	6,438,759	4,233,787
Net change in cash during the year	**(465,634)**	(3,862,099)
Cash, beginning of year	**811,584**	4,673,683
Cash, end of year	**345,950**	811,584

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