Newtopia Reports Second Quarter 2023 Financial Results

- **Cash Flow Positive from Operations in May & June, ahead of 2023 plan**
- **Q2 2023 Gross Margin (non IFRS)[1] up 1150 basis points year over year**
- **Operating Expenses down $1.3 million (41%) year over year**
- **Quarterly conference call scheduled for Aug 9, 2023 at 5 pm ET**

TORONTO, Aug 9, 2023 /CNW/ - Newtopia Inc. ("**Newtopia**" or the "**Company**") (TSXV: NEWU) (OTCQB: NEWUF), a tech-enabled whole health platform creating sustainable healthy habits that prevent, slow, and reverse chronic disease, today announced its second quarter 2023 financial results, operational highlights and the filing of the Company's quarterly financial statements. These results pertain to the three and six months ended June 30, 2023. All amounts are expressed in Canadian dollars, unless otherwise noted.

Second Quarter 2023 Financial Highlights (vs. Q2 2022):

- Revenue of $2.4 million, as compared to $2.5 million.
- Gross profit margin[1] of 58.5%, as compared to 47.0%.

"Newtopia had a very productive second quarter, as we continued to effectively manage our costs in a challenging macro environment to achieve cash flow positive from operations well ahead of our internal plan," said Jeff Ruby, Founder and CEO of Newtopia. "Top line growth was slightly down as compared to the prior year largely due to organic expansion timing and the deepening of our value based contracting expertise. The proactive efforts we have exerted across the Company to reduce operating expenses and increase our gross profit margins are quickly coming to fruition. Our acute focus on profitability will continue throughout the year as we also make our way toward EBITDA positive."

Ruby continued, "We anticipate that our recent multi-year contract renewals with large clients will enhance our revenue and profitability in the second half of the year. In addition to growth with existing clients, our pipeline of new business development with risk-bearing entities, including self-insured employers and innovative health plans, remains robust. Not only have we made progress with existing, in-contracting deals, but we've also added opportunities to the contracting queue. Importantly, our clients continue to see high participant engagement and satisfaction with Newtopia, alongside healthy habit change results. Newtopia's position at the forefront of preventing, slowing and reversing chronic disease ideally fits with larger healthcare macro trends including the massive interest and market size for GLP-1 medications for weight loss and the shift by employers and commercial populations towards value based advanced primary care. These trends provide fertile ground for continued expansion. To maintain this positive momentum, we have developed a special committee within our Board of Directors who will be working to explore avenues and partnerships to accelerate our growth. We look forward to sharing our progress along the way."

Second Quarter 2023 Financial Results

Revenue for the three months ended June 30, 2023 was $2.4 million, compared to $2.5 million in the prior-year period. Enrollment fee revenue, or revenue from Welcome Kit sales, totaled 13% of revenue for the quarter, in line with Q2 2022.

Non-IFRS gross profit for the second quarter 2023 totaled $1.4 million, as compared to $1.2 million in the prior-year period. This calculation consists of Newtopia's revenue less direct expenses, which include the cost of Welcome Kits sold to new participants and labor costs associated with hiring and training the Company's coaching team of Inspirators (health coaches). As a percentage of revenue, gross profit year to date has totaled 59%, compared to 47% in the prior-year period.

Operating expenses[2] for the three months ended June 30, 2023 totaled $1.8 million, compared to $3.1 million in the prior-year period and $2.3 million in Q1 2023. For the second quarter, EBITDA[3] totaled a loss of $0.4 million, compared to a loss of $1.9 million in the prior-year period and $0.7 million in Q1 2023.

The Company ended the second quarter 2023 with approximately $0.3 million in cash, with additional access to its revolving line of credit with a Canadian Schedule-1 bank and a previously announced $1.5 million debenture issuance that closed in July 2023.

2023 Outlook

Newtopia continues to expect full-year revenue growth in 2023 as compared to the prior year. Newtopia anticipates that the Company is also on a clear path to EBITDA and cash flow positivity within 2023 by continuing to exert strategic expense management. Profitability is anticipated to build throughout the year, with the bottom line improving incrementally each quarter.

Grants of Stock Options

Newtopia further announced today that its Board of Directors has approved the grant of 250,000 stock options to certain tenured employees. The issued options will be at an exercise price of CAD$0.105 per common share and will expire five years from the grant date.

Conference Call

The Company will host a conference call today at 5 p.m. Eastern Time to discuss the second quarter 2023 results in further detail. To access the conference call, please dial (888) 886-7786 (U.S.) or (416) 764-8658 (International) 10 minutes prior to the start time and reference Conference ID number 03837842. 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 August 30, 2023 which can be accessed by dialing (844) 512-2921 (U.S.) or (412) 317-6671 (International) and entering the passcode 03837842. 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. To learn more, visit newtopia.com, LinkedIn or Twitter.

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 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-IFRS Financial Measures

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Management uses certain non-IFRS 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-IFRS 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 IFRS measures and do not have a standardized 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

Gross Profit Information [1]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
Revenue	2,357,034	2,531,986	5,005,691	5,398,700
Cost of revenue	(1,184,993)	(1,341,941)	(2,460,675)	(2,859,777)
Gross profit	1,172,041	1,190,045	2,545,016	2,538,923
Add Amortization of intangible asset	206,514	-	413,028	-
Non-IFRS adjusted gross profit	1,378,555	1,190,045	2,958,044	2,538,923
Gross profit margin	*50 %*	*47 %*	*51 %*	*47 %*
Non-IFRS adjusted gross profit margin	*58 %*	*47 %*	*59 %*	*47 %*

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
Total expenses	2,403,354	3,421,786	5,149,156	6,398,357
Add (Subtract)				
Share-based compensation	(215,013)	(131,290)	(308,303)	(263,798)
Depreciation of property and equipment	(2,030)	(13,403)	(3,579)	(27,783)
Depreciation of right-of-use asset	-	(46,192)	-	(92,387)
Interest on lease obligations	(8,973)	(20,283)	(21,563)	(43,262)
Interest and accretion expense	(177,728)	(100,431)	(347,423)	(197,721)
Finance charges	(122,318)	(40,437)	(231,966)	(77,547)
Capitalized borrowing costs	-	38,000	-	67,000
Foreign exchange loss (gain)	(35,821)	38,497	(54,093)	23,464
Amortization of deferred finance charges	(33,975)	(64,970)	(67,790)	(123,770)
Gain on settlement of related party payable	7,203	-	7,203	-
Adjusted operating expenses	1,814,699	3,081,277	4,121,642	5,662,553

EBITDA [3]

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	$	$	$	$
Non-IFRS adjusted gross profit	1,378,555	1,190,045	2,958,044	2,538,923
Adjusted operating expenses	(1,814,699)	(3,081,277)	(4,121,642)	(5,662,553)
EBITDA	(436,144)	(1,891,232)	(1,163,598)	(3,123,630)

NEWTOPIA INC.

Condensed Interim Statements of Financial Position (Unaudited)
As at June 30, 2023 and December 31, 2022
(Expressed in Canadian Dollars)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	$	$
Assets		
Current assets		
Cash	**296,573**	345,950
Trade and other receivables	**1,520,374**	1,557,640
Contract asset	**-**	190,000
Prepaid expenses and deposits	**259,165**	205,843
Inventories	**140,176**	325,571
Deferred costs	**37,639**	76,269
	2,253,927	2,701,273
Property and equipment	**5,572**	8,052
Intangible asset	**2,822,335**	3,235,363
	5,081,834	5,944,688
Liabilities		
Current liabilities		
Trade and other payables	**2,433,354**	2,584,039
Credit facility	**4,809,913**	4,823,545
Lease obligations	**209,077**	544,700
Deferred revenue	**48,185**	48,185
Contract liability	**80,100**	-
Debentures	**3,730,523**	2,409,103
	11,311,152	10,409,572
Debentures	**-**	1,068,772
	11,311,152	11,478,344
Equity/Deficit		
Common shares	**48,882,767**	47,978,992
Contributed surplus	**13,866,152**	12,861,449
Deficit	**(68,978,237)**	(66,374,097)
	(6,229,318)	(5,533,656)
	5,081,834	5,944,688

NEWTOPIA INC.

Condensed Interim Statements of Loss and Comprehensive Loss (Unaudited)
Three and Six Months Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	**2023**	2022
	$	$	**$**	$
Revenue	**2,357,034**	2,531,986	**5,005,691**	5,398,700
Cost of revenue	**1,184,993**	1,341,941	**2,460,675**	2,859,777
Gross profit	**1,172,041**	1,190,045	**2,545,016**	2,538,923
Operating expenses				

Technology and development	**522,707**	844,105	**1,444,772**	1,650,400
Sales and marketing	**351,262**	868,934	**777,432**	1,513,145
General and administrative	**940,730**	1,368,238	**1,899,438**	2,499,008
Share-based compensation	**215,013**	131,290	**308,303**	263,798
Depreciation of property and equipment	**2,030**	13,403	**3,579**	27,783
Depreciation of right-of-use asset	**-**	46,192	**-**	92,387
	2,031,742	3,272,162	**4,433,524**	6,046,521
Other expenses (income)				
Interest and accretion expense	**177,728**	100,431	**347,423**	197,721
Interest on lease obligations	**8,973**	20,283	**21,563**	43,262
Finance charges	**122,318**	40,437	**231,966**	77,547
Amortization of deferred finance charges	**33,975**	64,970	**67,790**	123,770
Foreign exchange (gain)/loss	**35,821**	(38,497)	**54,093**	(23,464)
Capitalized borrowing costs	**-**	(38,000)	**-**	(67,000)
Gain on settlement of related party payable	**(7,203)**	-	**(7,203)**	-
	371,612	149,624	**715,632**	351,836
Net loss and comprehensive loss	**(1,231,313)**	(2,231,741)	**(2,604,140)**	(3,859,434)

NEWTOPIA INC.
Condensed Interim Statements of Changes in Equity (Deficit) (Unaudited)
Six Months Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Common Shares	Contributed Surplus	Deficit	Total
	$	$	$	$
Balance, December 31, 2022	**47,978,992**	**12,861,449**	**(66,374,097)**	**(5,533,656)**
Net loss and comprehensive loss	-	-	(2,604,140)	(2,604,140)
Share-based compensation	-	308,303	-	308,303
Settlement of related party payable	-	132,880	-	132,880
March 2023 private placement offering, net of issuance costs	930,218	537,077	-	1,467,295
Compensation options	(26,443)	26,443	-	-
Balance, June 30, 2023	**48,882,767**	**13,866,152**	**(68,978,237)**	**(6,229,318)**
Balance, December 31, 2021	**45,177,120**	**11,652,200**	**(58,673,634)**	**(1,844,314)**
Net loss and comprehensive loss	-	-	(3,859,434)	(3,859,434)
Share-based compensation	-	263,798	-	263,798
Settlement of related party payable	-	54,522	-	54,522
April 2022 private placement offering, net of issuance costs	2,624,495	511,839	-	3,136,334
Compensation options issued to brokers	(83,230)	83,230	-	-
Balance, June 30, 2022	**47,718,385**	**12,565,589**	**(62,533,068)**	**(2,249,094)**

NEWTOPIA INC.
Condensed Interim Statements of Cash Flows (Unaudited)
Six Months Ended June 30, 2023 and 2022
(Expressed in Canadian Dollars)

	Six Months Ended June 30,	
	2023	2022
	$	$
Cash flows used in operating activities:		
Net loss and comprehensive loss	**(2,604,140)**	(3,859,434)
Items not involving cash:		
Depreciation of property and equipment	**3,579**	27,783
Depreciation of right-of-use asset	**-**	92,387
Amortization of intangible asset	**413,028**	-
Amortization of deferred finance charges	**67,790**	123,770
Capitalized borrowing costs	**-**	(67,000)
Share-based compensation	**308,303**	263,798
Interest and accretion expense	**252,648**	95,921
Interest on lease obligations	**21,563**	43,262
Gain on settlement of related party payable	**(7,203)**	-
	(1,544,432)	(3,279,513)
Net change in non-cash working capital		
Trade and other receivables	**37,266**	495,162

Contract asset/liability	**270,100**	(287,034)
Inventories	**185,395**	(145,142)
Prepaid expenses and deposits	**(53,322)**	(22,023)
Trade and other payables	**(10,602)**	538,112
Deferred revenue	**-**	(8,065)
	(1,115,595)	(2,708,503)
Cash flows used in investing activities:		
Purchase of property and equipment	**(1,099)**	(3,829)
Intangible asset development costs	**-**	(898,895)
	(1,099)	(902,724)
Cash flows from (used in) financing activities:		
Credit facility withdrawals	**2,864,097**	5,633,116
Credit facility repayments	**(2,877,729)**	(5,074,304)
Credit facility financing costs	**(29,160)**	(45,931)
Repayment of lease obligations	**(357,186)**	(187,942)
Proceeds from private placement offerings, net of issuance costs	**1,467,295**	3,136,334
	1,067,317	3,461,273
Decrease in cash	**(49,377)**	(149,954)
Cash, beginning of period	**345,950**	811,584
Cash, end of period	**296,573**	661,630

1 Gross profit is defined as revenue, which is comprised of onboarding Welcome Kit 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 the amortization of intangible assets. 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. The Company defines Non-IFRS gross profit as gross profit plus amortization of intangible assets, for a true revenue less direct cost calculation and an "apples to apples" comparison vs. prior periods.

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 EBITDA stands for "earnings before interest, tax, depreciation and amortization". Although a commonly used financial metric, EBITDA 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.

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