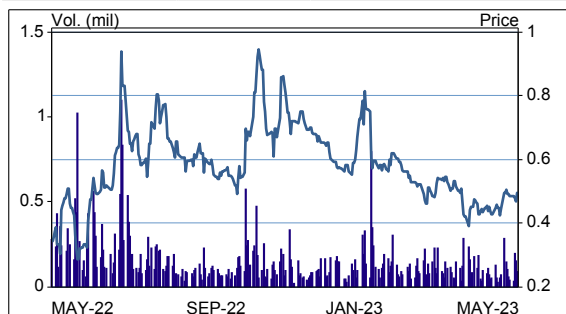


NexTech AR Solutions Corp. (NEXCF)
Rating: Buy

 Scott Buck
 212-856-5730
sbuck@hcwresearch.com
**Business Momentum Continues, Investors Slow to Recognize
Revenue and Margin Expansion Opportunity; Reit. Buy, \$2.50 PT**

Stock Data		05/18/2023		
Price		\$0.50		
Exchange		OTC		
Price Target		\$2.50		
52-Week High		\$1.02		
52-Week Low		\$0.24		
Enterprise Value (M)		\$47		
Market Cap (M)		\$51		
Shares Outstanding (M)		102.6		
3 Month Avg Volume		110,330		
Balance Sheet Metrics				
Cash (M)		\$3.5		
Total Debt (M)		\$0.0		
Total Cash/Share		\$0.03		
EPS (\$) Adjusted				
Full Year - Dec	2022A	2023E	2024E	
1Q	(0.08)	(0.06)A	(0.03)	
2Q	(0.09)	(0.05)	(0.03)	
3Q	(0.04)	(0.04)	(0.03)	
4Q	(0.05)	(0.03)	(0.01)	
FY	(0.26)	(0.18)	(0.10)	
Revenue (C\$M)				
Full Year - Dec	2022A	2023E	2024E	
1Q	3.5	1.3A	5.3	
2Q	3.2	2.3	4.5	
3Q	3.0	5.3	5.8	
4Q	1.1	5.7	7.4	
FY	3.2	14.0	23.0	
EBITDA (\$) Adjusted				
Full Year - Dec	2022A	2023E	2024E	
1Q	(6.0)	(4.6)A	(1.5)	
2Q	(5.5)	(3.7)	(2.1)	
3Q	(4.1)	(2.3)	(1.1)	
4Q	(5.7)	(1.2)	0.3	
FY	(20.7)	(11.5)	(4.4)	



New contracts, renewals, and expansions all drive improving financial performance. After the market close on May 18, NexTech3D.ai announced 1Q23 operating results which included revenue of C\$1.3M, just below our \$1.7M estimate but up meaningfully from C\$0.5M in the year ago period highlighting demand for the company's 3D modeling products. We believe this momentum has continued into 2Q23 with multiple contract announcements including a contract renewal and expansion. We expect similar announcements over the coming months as the company further strengthens its relationship with retailers within the Amazon Prime Marketplace. We believe the Amazon.com (AMZN; not rated) relationship can drive meaningful revenue growth several multiples above current revenue levels. As the 3D modeling business continues to scale and additional AI capabilities are introduced later this year, we believe margins can expand to more than 80.0%. Coupled with recent operating expense reductions, investors should begin to extrapolate a path to profitability, which we believe can occur on a quarterly basis beginning in 2024. Further, we believe the spinout of Toggle3D, expected in early June, should also unlock value for NexTech shareholders. As momentum continues to build, we recommend investors accumulate a position in NEXCF shares ahead of improving operating results and potential multiple expansion. We maintain our Buy rating and \$2.50 price target on NEXCF shares.

Operating results. The company reported 1Q23 revenue of C\$1.3M, just below our C\$1.7M estimate and up from C\$0.5M a year ago. While slightly lower than our expectations, we view the year over year and sequential revenue progress as a significant positive. Gross margin was 41.0% in 1Q23, up from 38.9% in 4Q22. Over time, the addition of AI should drive meaningful margin expansion. Operating expenses, totaled C\$5.1M, below our C\$5.5M estimate and compares to C\$7.5M in 1Q22. We attribute the decline to ongoing cost discipline as well as the October 2022 spinout of Arway Corp. The pending spinout of Toggle3D should further reduce operating expense going forward. The company ended the quarter with approximately C\$3.5M of available cash. However, after quarter end, the company announced it has secured C\$2.0M in non-dilutive growth financing against future revenue, providing additional flexibility.

Adjusting estimates, price target unchanged at \$2.50. Following 1Q23 operating results and updated commentary from management, we are making some minor adjustments forecast. We are now modeling 2023 revenue of C\$14.0M, versus our previous estimate of C\$15.5M. Lower revenue expectations are being more than offset by lower-than-expected operating expenses, driven by recent cost-cutting. As a result, our 2023 EBITDA loss estimate improves to C\$11.5M from a loss of C\$12.9M previously. For 2024, we are now modeling 2024 revenue of C\$23.0M, down from \$25.0M previously. Our EBITDA loss estimate moves to C\$4.4M, a slight improvement from a loss of C\$4.6M previously. As the company remains early in its development, we believe quarterly results may continue to be somewhat choppy near term based on delivery schedules. However, we believe annual financial performance should reflect strong underlying demand for the company's 3D models. Our price target remains \$2.50.



Valuation attractive given meaningful revenue growth opportunity and path to profitability. We are valuing NEXCF shares at \$2.50, reflecting an approximately 20.0x EV/revenue multiple on our current 2023 revenue estimate of \$14.0M. Our \$2.50 price target represents approximately 400.0% upside from recent trading levels. A targeted 20.0x EV/revenue multiple represents a premium to other small capitalization technology peers operating within the augmented reality, virtual reality, and metaverse space. We view this as warranted in the near term as the business should begin to ramp quickly given recent partnership announcements and anticipated revenue generation. As the company begins to demonstrate its ability to drive meaningful revenue growth, improve gross margin expansion, and achieve consistent profitability we believe new investors should be attracted to NEXCF shares. In addition, we suspect positive news flow, including new contract and partnership announcements to serve as a near term catalyst, ahead of the 2023 acceleration in higher margin technology revenue.

Risks. (1) Dilution risk should the company raise additional capital given current cash burn; (2) high levels of industry competition; (3) technology risk; (4) M&A and integration risk; (5) partnership risk given partnership agreements; (6) foreign operation risk as the company operates in several jurisdictions with different levels of regulatory oversight; and (7) liquidity risk.

NexTech3D.ai Model - NEXCF														
H.C. Wainwright & Co., LLC														
(Canadian dollar \$000s); December Year-End														
Fiscal Year in \$ 000's	2019	2020	2021	2022	2023					2024				
	2019E	2020A	2021A	2022A	1Q23A	2Q23E	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E
Revenue														
Gross revenue	4,004	17,686	25,935	3,225	1,301	2,347	4,270	5,713	14,005	5,265	4,547	5,829	7,402	23,043
Cost of revenue	1,656	7,835	16,096	1,593	767	986	1,495	1,600	4,847	1,711	1,273	1,574	1,480	6,038
Net revenue	2,348	9,851	9,839	1,632	534	1,361	2,776	4,113	9,158	3,554	3,273	4,255	5,921	17,004
Gross margin	58.6%	55.7%	37.9%	50.6%	41.0%	58.0%	65.0%	72.0%	65.4%	67.5%	72.0%	73.0%	80.0%	73.8%
Operating expenses:														
Sales and marketing	2,608	9,609	16,815	5,013	1,650	1,553	1,532	1,611	6,347	1,403	1,631	1,609	1,643	6,286
General and administrative	1,762	5,841	13,881	13,378	2,592	2,589	2,333	2,548	10,062	2,721	2,719	2,450	2,675	10,565
Research and development	721	3,592	6,612	3,892	880	933	1,227	1,194	4,234	968	989	1,300	1,254	4,511
Total costs and expenses	5,092	19,042	37,308	22,283	5,122	5,075	5,092	5,353	20,643	5,092	5,339	5,359	5,572	21,362
Operating income	(2,744)	(9,191)	(27,470)	(20,651)	(4,588)	(3,714)	(2,317)	(1,240)	(11,485)	(1,538)	(2,065)	(1,104)	349	(4,358)
EBITDA	(2,744)	(9,191)	(27,470)	(20,651)	(4,588)	(3,714)	(2,317)	(1,240)	(11,485)	(1,538)	(2,065)	(1,104)	349	(4,358)
EBITDA margin	-116.9%	-93.3%	-105.9%	-640.4%	-352.6%	-158.2%	-54.3%	-21.7%	-82.0%	-29.2%	-45.4%	-18.9%	4.7%	-18.9%
Other expense (income)														
Stock based compensation	391	5,665	5,030	1,716	1,171	700	800	800	3,471	600	700	800	800	2,900
Amortization	190	672	2,050	2,656	531	700	700	700	2,631	750	700	700	700	2,850
Right of use amortization	0	0	206	77	56	56	56	56	223	56	56	56	56	223
Gain on digital assets	0	0	(219)	(381)	195	0	0	0	195	0	0	0	0	0
Impairment	69	69	0	3,178	184	0	0	0	184	0	0	0	0	0
Loss on contingent consideration	0	0	(1,573)	0	0	0	0	0	0	0	0	0	0	0
Depreciation	22	83	133	123	29	40	40	40	149	40	40	40	40	160
Foreign exchange gain (loss)	10	10	(268)	(1,346)	(94)	0	0	0	(94)	0	0	0	0	0
Total other income	682	6,500	5,360	6,023	2,072	1,496	1,596	1,596	6,759	1,446	1,496	1,596	1,596	6,133
Income (loss) before income taxes	(3,426)	(15,691)	(32,829)	(26,674)	(6,659)	(5,210)	(3,913)	(2,835)	(18,244)	(2,984)	(3,561)	(2,700)	(1,247)	(10,491)
Income tax provision	0	97	177	(36)	(9)	0	0	0	(9)	0	0	0	0	0
Deferred income tax recovery				673	105									
Net Income	(3,426)	(15,594)	(32,652)	(26,037)	(6,563.8)	(5,209.9)	(3,912.5)	(2,835.4)	(18,253)	(2,983.9)	(3,560.9)	(2,699.6)	(1,246.6)	(10,491)
Net Income Margin %														
Income from discontinued operations				(1,341)										
Other comprehensive income:														
Exchange difference on translating foreign operations	0	(253)	227	(433)	(96)	(96)	(96)	(96)	(386)	(96)	(96)	(96)	(96)	(386)
Comprehensive income (loss)	(3,426)	(15,846)	(32,425)	(27,811)	(6,660)	(5,306)	(4,009)	(2,932)	(18,639)	(3,080)	(3,657)	(2,796)	(1,343)	(10,877)
Basic Earnings Per Share	(\$0.06)	(\$0.23)	(\$0.39)	(\$0.26)	(\$0.06)	(\$0.05)	(\$0.04)	(\$0.03)	(\$0.18)	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.01)	(\$0.10)
Diluted Earnings Per Share	(\$0.06)	(\$0.23)	(\$0.39)	(\$0.26)	(\$0.06)	(\$0.05)	(\$0.04)	(\$0.03)	(\$0.18)	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.01)	(\$0.10)
Average Shares Outstanding (Basic)	58,291	68,657	83,888	100,202	106,926	100,128	100,629	101,132	102,204	101,638	102,146	102,657	103,170	102,403
Average Shares Outstanding (Diluted)	58,291	68,657	83,888	100,202	106,926	100,128	100,629	101,132	102,204	101,638	102,146	102,657	103,170	102,403
Operating Metrics														
Revenue Growth	n/a	319.6%	-0.1%	-83.4%	-64.0%	-19.4%	106.5%	903.2%	461.2%	565.6%	140.4%	53.3%	44.0%	85.7%
Price	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Market Capitalization (CAD\$000s)	\$29,145	\$37,779	\$44,820	\$52,445	\$53,463	\$50,064	\$50,314	\$50,566	\$50,566	\$50,819	\$51,073	\$51,328	\$51,585	\$51,585
Enterprise Value (CAD\$000s)	\$26,296	\$27,094	\$37,674	\$48,668	\$49,961	\$51,875	\$55,214	\$58,023	\$58,023	\$60,364	\$62,962	\$65,055	\$66,159	\$66,159
Price-to-Earnings	n/a	-2.3x	-1.3x	-1.9x	-2.0x	-2.4x	-2.5x	-2.8x	-2.8x	-3.4x	-3.8x	-4.2x	-4.9x	-4.9x
EV to EBITDA	-9.6x	-2.5x	-1.4x	-2.3x	-2.5x	-2.9x	-3.4x	-4.9x	-4.9x	-6.9x	-8.8x	-10.9x	-15.2x	-15.2x
Shareholders Equity	7,066	22,419	24,262	10,955	10,279	5,939	2,904	956	956	-1,133	-3,789	-5,575	-5,899	-5,899
Net Debt	(2,849)	(10,685)	(7,146)	(3,777)	(3,502)	1,811	4,899	7,457	7,457	9,545	11,889	13,726	14,574	14,574

Source: Factset as of May 18, 2023 and H.C. Wainwright & Co. estimates.

Important Disclaimers

This material is confidential and intended for use by Institutional Accounts as defined in FINRA Rule 4512(c). It may also be privileged or otherwise protected by work product immunity or other legal rules. If you have received it by mistake, please let us know by e-mail reply to unsubscribe@hcwresearch.com and delete it from your system; you may not copy this message or disclose its contents to anyone. The integrity and security of this message cannot be guaranteed on the Internet.

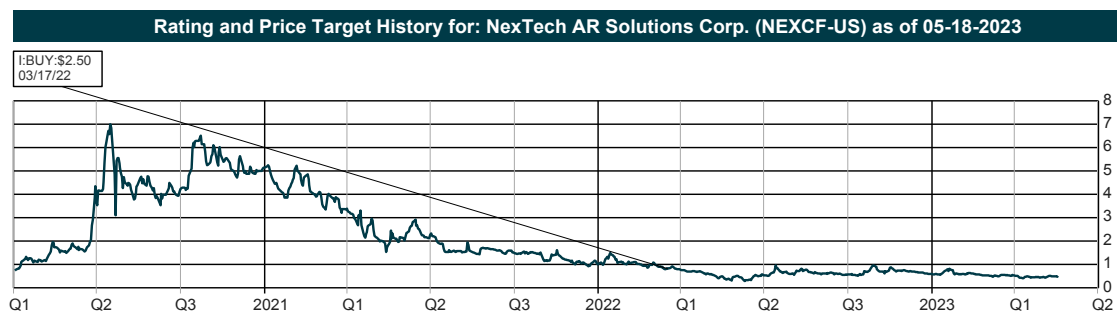
H.C. WAINWRIGHT & CO, LLC RATING SYSTEM: H.C. Wainwright employs a three tier rating system for evaluating both the potential return and risk associated with owning common equity shares of rated firms. The expected return of any given equity is measured on a RELATIVE basis of other companies in the same sector. The price objective is calculated to estimate the potential movements in price that a given equity could reach provided certain targets are met over a defined time horizon. Price objectives are subject to external factors including industry events and market volatility.

RETURN ASSESSMENT

Market Outperform (Buy): The common stock of the company is expected to outperform a passive index comprised of all the common stock of companies within the same sector.

Market Perform (Neutral): The common stock of the company is expected to mimic the performance of a passive index comprised of all the common stock of companies within the same sector.

Market Underperform (Sell): The common stock of the company is expected to underperform a passive index comprised of all the common stock of companies within the same sector.



Investment Banking Services include, but are not limited to, acting as a manager/co-manager in the underwriting or placement of securities, acting as financial advisor, and/or providing corporate finance or capital markets-related services to a company or one of its affiliates or subsidiaries within the past 12 months.

Distribution of Ratings Table as of May 18, 2023

Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	564	88.12%	131	23.23%
Neutral	62	9.69%	14	22.58%
Sell	0	0.00%	0	0.00%
Under Review	14	2.19%	3	21.43%

H.C. Wainwright & Co, LLC (the "Firm") is a member of FINRA and SIPC and a registered U.S. Broker-Dealer.

I, Scott Buck, certify that 1) all of the views expressed in this report accurately reflect my personal views about any and all subject securities or issuers discussed; and 2) no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report; and 3) neither myself nor any members of my household is an officer, director or advisory board member of these companies.

None of the research analysts or the research analyst's household has a financial interest in the securities of NexTech AR Solutions Corp. (including, without limitation, any option, right, warrant, future, long or short position).

As of April 30, 2023 neither the Firm nor its affiliates beneficially own 1% or more of any class of common equity securities of NexTech AR Solutions Corp..

Neither the research analyst nor the Firm knows or has reason to know of any other material conflict of interest at the time of publication of this research report.

The research analyst principally responsible for preparation of the report does not receive compensation that is based upon any specific investment banking services or transaction but is compensated based on factors including total revenue and profitability of the Firm, a substantial portion of which is derived from investment banking services.

The firm or its affiliates received compensation from NexTech AR Solutions Corp. for non-investment banking services in the previous 12 months.

The Firm or its affiliates did not receive compensation from NexTech AR Solutions Corp. for investment banking services within twelve months before, but will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

The Firm does not make a market in NexTech AR Solutions Corp. as of the date of this research report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. Past performance is no guarantee of future results. This report is offered for informational purposes only, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. This research report is not intended to provide tax advice or to be used to provide tax advice to any person. Electronic versions of H.C. Wainwright & Co., LLC research reports are made available to all clients simultaneously. No part of this report may be reproduced in any form without the expressed permission of H.C. Wainwright & Co., LLC. Additional information available upon request.

H.C. Wainwright & Co., LLC does not provide individually tailored investment advice in research reports. This research report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this research report.

H.C. Wainwright & Co., LLC's and its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed in this research report.

H.C. Wainwright & Co., LLC and its affiliates, officers, directors, and employees, excluding its analysts, will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this research report.

The information contained herein is based on sources which we believe to be reliable but is not guaranteed by us as being accurate and does not purport to be a complete statement or summary of the available data on the company, industry or security discussed in the report. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

Securities and other financial instruments discussed in this research report: may lose value; are not insured by the Federal Deposit Insurance Corporation; and are subject to investment risks, including possible loss of the principal amount invested.