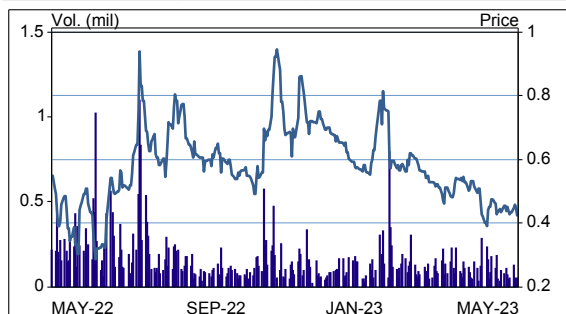


**NexTech AR Solutions Corp. (NEXCF)**  
**Rating: Buy**

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**Updating Model to Reflect Recent Filings, Modeling Revenue  
to Accelerate Through Remainder of 2023; Reit. Buy, \$2.50 PT**

Stock Data		05/04/2023		
Price				\$0.42
Exchange				OTC
Price Target				\$2.50
52-Week High				\$1.02
52-Week Low				\$0.24
Enterprise Value (M)				\$40
Market Cap (M)				\$43
Shares Outstanding (M)				102.6
3 Month Avg Volume				113,390
Balance Sheet Metrics				
Cash (M)				\$3.8
Total Debt (M)				\$0.0
Total Cash/Share				\$0.04
EPS (\$) Adjusted				
Full Year - Dec	2022A	2023E	2024E	
1Q	(0.08)	(0.06)	(0.03)	
2Q	(0.09)	(0.06)	(0.04)	
3Q	(0.04)	(0.04)	(0.02)	
4Q	(0.05)	(0.03)	(0.01)	
FY	(0.26)	(0.19)	(0.10)	
Revenue (C\$M)				
Full Year - Dec	2022A	2023E	2024E	
1Q	3.5	1.7	5.3	
2Q	3.2	2.7	5.1	
3Q	3.0	5.1	7.0	
4Q	1.1	6.1	7.8	
FY	3.2	15.5	25.0	
EBITDA (\$) Adjusted				
Full Year - Dec	2022A	2023E	2024E	
1Q	(6.0)	(4.6)	(1.9)	
2Q	(5.5)	(4.7)	(2.2)	
3Q	(4.1)	(2.2)	(0.8)	
4Q	(5.7)	(1.4)	0.3	
FY	(20.7)	(12.9)	(4.6)	



**Business transition near complete, cleaner growth story moving forward.** On April 28, 2023, NexTech3D.ai filed its full year 2022 operating results. The company had previously released unaudited financials in mid-April 2023. Fourth quarter revenue had exceeded our expectations, driven by growing demand for the company's 3D modeling products, a trend we believe should continue through the remainder of 2023 and likely 2024. Importantly, the company has completed its transition away from its legacy ecommerce business lines, leaving a high growth stand-alone 3D modeling and ai technology company, which should simplify the investment thesis for some investors. Looking forward, announced enterprise contracts with Amazon.com, Inc. (AMZN; not rated) and Target Corporation (TGT; not rated) should be a meaningful contributor to revenue in 2023. We believe, successfully demonstrating the company's 3D modeling capabilities to these retailers can potential drive new business within these large retailers and serve as a powerful reference customer for new 3D modeling deals. With the introduction of ai into the 3D modeling process in 2H23, we expect a meaningful improvement in gross margin. Coupled with the exit from legacy ecommerce, we expect an expedited path to quarterly profitability, as early as 2024. Further, we believe the spinout of Toggle3D, which is expected within the next 60 days, could unlock potential value for NexTech shareholders similarly to the spin out of Arway Corp. in October 2022. As the company executes on its strategy as a pure 3D modeling and ai technology company, we believe NEXCF shares are likely to generate more attention from potential investors, likely driving demand for shares higher. We recommend investors take advantage of this period of business transition to accumulate NEXCF shares at what we view as a meaningful discount and ahead of what we anticipate being a significant improvement in operating results as the business continues to scale in this large market.

**Raising estimates, introducing 2024; price target unchanged at \$2.50.** Within the audited 4Q22 and 2022 financial results, the company has moved its legacy e-commerce business to discontinued operations, creating some challenges in making sequential and year over year comparisons. However, it is clear from management commentary, the core 3D modeling and technology business lines are expected to see meaningful growth in 2023 from what we consider trough revenue in 4Q22. As a result, we are increasing our full year 2023 revenue estimate to C\$15.5M from C\$15.0M previously. We expect revenue growth to be weighted towards 2H23 as the company begins utilizing ai to accelerate the development and delivery of 3D models. With the addition of ai, we also believe gross margins should begin to take a meaningful step forward in the second half of the year. On higher revenue and higher gross margin, our EBITDA estimate for 2023 improves to a loss of C\$12.9M from a loss of C\$14.7M previously. We are introducing our initial 2024 revenue and EBITDA loss forecast of C\$25.0M and C\$4.6M, respectively. We are modeling positive EBITDA in 4Q24. The company ended December with C\$3.8M of cash on the balance sheet. However, the company could potentially raise additional capital through the sale of Arway shares if it becomes necessary to fund operations ahead of cash generation. Our price target remains \$2.50.

H.C. Wainwright 1868

**Valuation attractive given meaningful revenue growth opportunity and path to profitability.** We are valuing NEXCF shares at \$2.50, reflecting a 20.0x EV/revenue multiple on our current 2023 revenue estimate of \$15.5M. Our \$2.50 price target represents approximately 450.0% 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.

NexTech AR Solutions Corp. 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	1Q23E	2Q23E	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E
<b>Revenue</b>														
Product Sales		13,933	19,245	0	0	0	0	0	0	0	0	0	0	0
Technology Services		3,418	5,296	180	72	105	145	245	567	282	324	373	429	1,407
Renewable software licenses		335	1,394	2,849	1,447	2,460	4,725	5,560	14,192	4,704	4,428	6,143	6,950	22,224
Other revenue				195	155	171	188	252	765	279	307	338	453	1,378
Gross revenue	4,004	17,686	25,935	3,225	1,675	2,736	5,058	6,057	15,525	5,265	5,059	6,853	7,831	25,009
Cost of revenue	1,656	7,835	16,096	1,593	804	1,149	1,770	1,696	5,419	1,711	1,417	1,850	1,566	6,544
Net revenue	2,348	9,851	9,839	1,632	871	1,587	3,288	4,361	10,106	3,554	3,643	5,003	6,265	18,464
Gross margin	58.6%	55.7%	37.9%	50.6%	52.0%	58.0%	65.0%	72.0%	65.1%	67.5%	72.0%	73.0%	80.0%	73.8%
<b>Operating expenses:</b>														
Sales and marketing	2,608	9,609	16,815	5,013	1,701	1,553	1,532	1,611	6,397	1,446	1,631	1,609	1,643	6,329
General and administrative	1,762	5,841	13,881	13,378	2,674	3,828	2,722	2,916	12,140	2,808	3,254	2,858	3,062	11,982
Research and development	721	3,592	6,612	3,892	1,130	933	1,227	1,194	4,484	1,243	989	1,300	1,254	4,786
Total costs and expenses	5,092	19,042	37,308	22,283	5,505	6,314	5,481	5,721	23,021	5,497	5,873	5,768	5,959	23,096
Operating income	(2,744)	(9,191)	(27,470)	(20,651)	(4,635)	(4,727)	(2,194)	(1,360)	(12,916)	(1,943)	(2,231)	(765)	307	(4,632)
<b>EBITDA</b>	<b>(2,744)</b>	<b>(9,191)</b>	<b>(27,470)</b>	<b>(20,651)</b>	<b>(4,635)</b>	<b>(4,727)</b>	<b>(2,194)</b>	<b>(1,360)</b>	<b>(12,916)</b>	<b>(1,943)</b>	<b>(2,231)</b>	<b>(765)</b>	<b>307</b>	<b>(4,632)</b>
<b>EBITDA margin</b>	<b>-116.9%</b>	<b>-93.3%</b>	<b>-105.9%</b>	<b>-640.4%</b>	<b>-276.8%</b>	<b>-172.8%</b>	<b>-43.4%</b>	<b>-22.5%</b>	<b>-83.2%</b>	<b>-36.9%</b>	<b>-44.1%</b>	<b>-11.2%</b>	<b>3.9%</b>	<b>-18.5%</b>
Other expense (income)														
Stock based compensation	391	5,665	5,030	1,716	600	700	800	800	2,900	600	700	800	800	2,900
Amortization	190	672	2,050	2,656	750	700	700	700	2,850	750	700	700	700	2,850
Right of use amortization	0	0	206	77	0	0	0	0	0	0	0	0	0	0
Gain on digital assets	0	0	(219)	(381)	0	0	0	0	0	0	0	0	0	0
Impairment	69	69	0	3,178	0	0	0	0	0	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	40	40	40	40	160	40	40	40	40	160
Foreign exchange gain (loss)	10	10	(268)	(1,346)	0	0	0	0	0	0	0	0	0	0
Total other income	682	6,500	5,360	6,023	1,390	1,440	1,540	1,540	5,910	1,390	1,440	1,540	1,540	5,910
Income (loss) before income taxes	(3,426)	(15,691)	(32,829)	(26,674)	(6,025)	(6,167)	(3,734)	(2,900)	(18,826)	(3,333)	(3,671)	(2,305)	(1,233)	(10,542)
Income tax provision	0	97	177	(36)	0	0	0	0	0	0	0	0	0	0
Deferred income tax recovery				673										
Net Income	(3,426)	(15,594)	(32,652)	(26,037)	(6,024.6)	(6,167.2)	(3,733.6)	(2,900.1)	(18,826)	(3,333.1)	(3,670.7)	(2,304.7)	(1,233.5)	(10,542)
Net Income Margin %														
Income from discontinued operations				(1,341)										
Other comprehensive income:														
Exchange difference on translating foreign operations	0	(253)	227	(433)	(183)	(183)	(183)	(183)	(734)	(183)	(183)	(183)	(183)	(734)
Comprehensive income (loss)	(3,426)	(15,846)	(32,425)	(27,811)	(6,208)	(6,351)	(3,917)	(3,084)	(19,559)	(3,517)	(3,854)	(2,488)	(1,417)	(11,276)
<b>Basic Earnings Per Share</b>	<b>(\$0.06)</b>	<b>(\$0.23)</b>	<b>(\$0.39)</b>	<b>(\$0.26)</b>	<b>(\$0.06)</b>	<b>(\$0.06)</b>	<b>(\$0.04)</b>	<b>(\$0.03)</b>	<b>(\$0.19)</b>	<b>(\$0.03)</b>	<b>(\$0.04)</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>(\$0.10)</b>
<b>Diluted Earnings Per Share</b>	<b>(\$0.06)</b>	<b>(\$0.23)</b>	<b>(\$0.39)</b>	<b>(\$0.26)</b>	<b>(\$0.06)</b>	<b>(\$0.06)</b>	<b>(\$0.04)</b>	<b>(\$0.03)</b>	<b>(\$0.19)</b>	<b>(\$0.03)</b>	<b>(\$0.04)</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>(\$0.10)</b>
Average Shares Outstanding (Basic)	58,291	68,657	83,888	100,202	99,630	100,128	100,629	101,132	100,380	101,638	102,146	102,657	103,170	102,403
Average Shares Outstanding (Diluted)	58,291	68,657	83,888	100,202	99,630	100,128	100,629	101,132	100,380	101,638	102,146	102,657	103,170	102,403
<b>Operating Metrics</b>														
Revenue Growth	n/a	319.6%	-0.1%	-83.4%	-41.3%	-6.0%	144.6%	963.6%	519.3%	308.1%	129.6%	52.2%	43.7%	82.7%
Price	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42
Market Capitalization (CAD\$000s)	\$24,482	\$31,735	\$37,649	\$44,054	\$41,845	\$42,054	\$42,264	\$42,475	\$42,475	\$42,688	\$42,901	\$43,116	\$43,331	\$43,331
Enterprise Value (CAD\$000s)	\$21,633	\$21,050	\$30,503	\$40,276	\$44,637	\$49,874	\$52,975	\$55,786	\$55,786	\$58,403	\$61,052	\$62,640	\$63,607	\$63,607
Price-to-Earnings	n/a	-1.9x	-1.1x	-1.6x	-1.7x	-1.9x	-2.0x	-2.2x	-2.2x	-2.6x	-3.1x	-3.5x	-4.1x	-4.1x
EV to EBITDA	-7.9x	-1.9x	-1.1x	-1.9x	-2.2x	-2.6x	-3.1x	-4.3x	-4.3x	-5.7x	-7.9x	-9.9x	-13.7x	-13.7x
Shareholders Equity	7,066	22,419	24,262	10,955	5,763	437	-2,448	-4,490	-4,490	-6,956	-9,752	-11,173	-11,513	-11,513
Net Debt	(2,849)	(10,685)	(7,146)	(3,777)	2,793	7,821	10,711	13,311	13,311	15,715	18,151	19,524	20,276	20,276

Source: Factset as of May 4, 2023 and H.C. Wainwright & Co. estimates.

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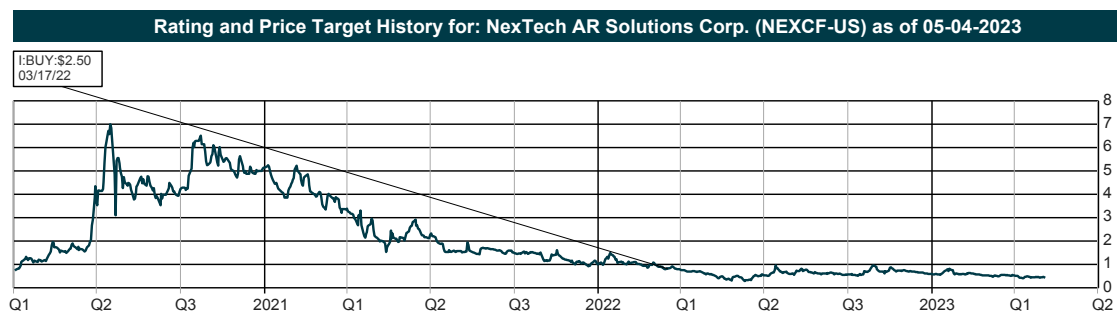
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Distribution of Ratings Table as of May 4, 2023				
Ratings	Count	Percent	IB Service/Past 12 Months	
			Count	Percent
Buy	562	87.68%	128	22.78%
Neutral	63	9.83%	14	22.22%
Sell	0	0.00%	0	0.00%
Under Review	16	2.50%	3	18.75%

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