LOGIQ INC. – BUY

Correction in Digital Marketing Sector Valuations Creates an Attractive Entry Point for Long-term Investors

ACTION – Initiating Coverage with a BUY Rating and Target Price of US$2.20

Logiq's Presence in Two Large and Growing Segments of Digital Marketing Value Chain to drive its Growth Outlook

Investment Thesis Relies on Revenue Growth, Increasing Profitability, and Valuation

Multiple Levers for Re-rating of Logiq's Valuation Multiples

Logiq's Cloud Based Platforms for Lead Generation and Digital Marketing: Logiq is a digital marketing technology company, offering lead generation, digital advertising, and data management software solutions to clients. The two operating segments of Logiq include its consumer market place ("LCM") and digital marketing platform ("LDM"). Currently, most of the revenue (above 95%) is generated by the LCM segment, which is a customer data platform ("CDP") offering lead generation service to its clients. The LDM segment serves as a demand side platform and a data management platform.

Investment Thesis: We view the revenue growth outlook for Logiq to be robust given its exposure to the growing segments of digital marketing value chain. Based on the potential market size estimates for lead generation and demand side platforms, we view the revenue growth potential for Logiq to be meaningful. We expect Logiq's revenue to grow by around 36% (CAGR) over the next three years (2021-24e). Given the growing portion of revenue from the LDM segment and relatively better margin profile of LDM segment, we view the gross margin to improve gradually for Logiq over the long-term. Given the fundamental outlook of Logiq, we view the current stock price to be undervalued. Based on our analysis of the valuation multiples of two sets of competitors related to LCM and LDM, we note that Logiq trades at a significant discount.

Key Catalysts for the Share Price: We note that the valuation multiples of various marketing and advertising technology stocks declined significantly over the last year. This may be due to various reasons related to macro-economic challenges, volatile geo-political conditions, and COVID-19. We believe that the fundamental outlook of the digital marketing sector still remains strong and the valuation multiples will improve gradually for the sector. In addition, Logiq trades at a discount relative to its peers which could change if Logiq reports strong financial results consistently over the next few quarters. As the potential customers of Logiq recover from COVID-19, this may lead to an increase in advertising budgets resulting in a higher growth outlook for Logiq. Visibility over improving profitability and positive free cash flow generation may be other catalysts for the stock price.

Valuation and Recommendation: We initiate Logiq with a **BUY** rating and a 12-month forward Target Price of $2.20 based on DCF valuation, using a cost of capital (WACC) of 13.5% and a terminal growth rate of 2%. We use capital asset pricing model (CAPM) to calculate WACC. We assume a risk free rate of 2%, Beta of 2.0, and a market risk premium of 6%. We use an after-tax cost of debt of 9.5%.

ANALYST INFORMATION

Venkata Velagapudi, CFA
416-860-7652
vvelagapudi@researchcapital.com

Jack Keating
416.860.7658
jkeating@researchcapital.com

MARKET DATA

LGIQ - OTCQX	**$0.97**
12-Month Forward Target:	**$2.20**
Projected. Return:	**127%**
Terminal EV/Revenue Multiple	**0.4**
Terminal EV/EBITDA Multiple	**1.8**

Share data

Basic shares O/S (mm)	26.2
Fully Diluted Shares (mm)	26.2
Market Cap ($mm)	$25.5
Enterprise Value ($mm)	$22.0
Cash ($mm)	$3.5
Debt ($mm)	$0.1
Next Reporting Date	**30-Mar-22**

VALUATION MULTIPLES

Multiples	2022e	2023e	2024e
EV/Revenue	**0.8**	**0.6**	**0.4**
EV/Gross Profit	**2.8**	**1.9**	**1.2**

COMPANY PROFILE

Logiq provides lead generation and digital marketing services to small to medium sized agencies and brands in North America.

UPCOMING EVENTS/CATALYSTS

Q4/21 Results – 30 March 2022

OVERVIEW OF KEY FINANCIALS

Income Statement ($mm)	2020	F2021e	F2022e	F2023e
Revenue	15	22	27	39
Cost of Sales	15	16	19	27
Gross Profit	0	6	8	12
Gross Margin %	*3%*	*28%*	*29%*	*30%*
Operating Expenses	5	11	18	21
Operating Income (loss)	(4)	(5)	(10)	(9)
Operating Margin %	-	-	-	-
EBITDA	(5)	(1)	(6)	(5)
Net Income (Loss)	**(5)**	**(4)**	**(10)**	**(9)**

Revenue and Gross Profit Outlook

Balance Sheet ($mm)	2020	2021	2022	2023
Cash and Cash Equivalents	-	4	1	1
Inventory	-	-	-	-
Intangible assets	-	15	12	9
Other	-	17	14	14
Total Assets	**-**	**35**	**27**	**24**
Short-term Liabilities	-	0	1	7
Long-term Liabilities	-	0	0	0
Total Liabilities	**-**	**0**	**1**	**7**
Shareholders' Equity	-	35	25	16
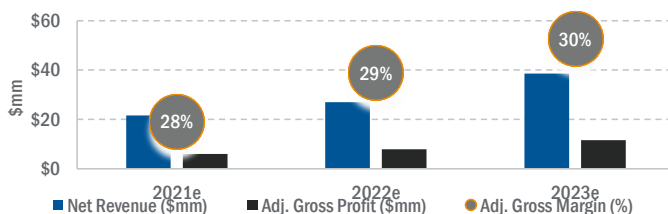
Cash Flow ($mm)	2020	2021	2022	2023
Operating CF (Excl. Δ NWC)	-	(11)	(6)	(5)
Changes in NWC	-	(3)	4	6
Operating Cash Flow	-	(14)	(2)	1
Investing Cash Flow	-	(1)	(1)	(1)
Financing Cash Flow	-	(2)	0	0
Change in Cash	**-**	**(17)**	**(3)**	**0**

Potential Catalysts for the Share Price

Strong quarterly results as the customers of LOGIQ recover from COVID-19
Improvement in the overall sector valuation multiples
Visibility on profitability and free cash flow generation

Key Drivers of Our Investment Thesis

Growth outlook driven by large addressable market
Improving Profitability outlook driven by growing LDM revenue
Attractive valuation for long-term investors

All the financials (including the TP) are in USD.

SPECIAL SITUATIONS

LOGIQ INC.

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*NOTE: ALL FINANCIAL FIGURES IN THIS REPORT ARE IN US DOLLARS, UNLESS STATED OTHERWISE. **REPORT PRICING DATE: 25-MAR-2022***

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DETAILED INVESTMENT THESIS

Near-term Growth Outlook Driven by Logiq's Consumer Market Place Segment: Logiq's Consumer market place is a cloud based customer data platform ("CDP"), which offers lead generation service to its clients. Logiq relies on first-party data and its proprietary machine learning algorithms and analytics to generate leads for clients. We expect the near-term growth outlook for Logiq to be driven by its consumer market place segment based on three factors. Firstly, the addressable market is large and still growing. Based on the estimates of third party market research firms, the lead generation solutions market is expected to reach around $6bn by the end of 2025e, implying a robust annualized growth (CAGR) of over 17% over 2020-25e. Secondly, we note that LCM currently serves clients predominantly from verticals such as home improvement and insurance (financial services). As LCM enters into more sectors gradually, we expect the active customer growth outlook to improve. Finally, as the potential customers (SMBs) of Logiq recover from COVID-19, the expenditure on lead generation solutions may increase, which may improve the growth prospects for LCM.

LDM's Asset Light Model and Relatively Better Margin Profile to Improve Logiq's Fundamentals Further: Logiq's Digital marketing platform ("LDM") serves as a demand side platform and a data management platform. LDM earns a fixed SAAS based fee for its cloud based platform. Currently, Logiq generates only a minor portion of its revenue from LDM segment. However, we believe that LDM will play a critical role in driving the revenue for Logiq over the long-term driven by the growing adoption of programmatic advertising, large addressable market for demand side platforms and the value proposition of LDM platform. As LDM's cloud based platform is self-serve and has a relatively better gross margin profile and an asset light business model, we believe the growing contribution of LDM segment's revenue to improve the profitability metrics for Logiq. We expect Logiq's gross margin to improve to around 34% over the long-term, compared to its current gross margin of around 28%.

Overall Digital Marketing Sector to Rerate Gradually over the Next Few Years: Based on our observation of valuation multiples for select peers of Logiq, we note that the valuation multiples have declined significantly over the last year. For instance, the median EV/revenue for LCM competitors declined by around 3 times over the last year. Similarly, we observe that the median EV/revenue for LDM competitors declined by around 70% over the last year. The challenging macro-economic conditions, volatile geo political situations, and COVID-19 may be among the reasons for a compression in the valuation multiples of the sector. However, we believe that the fundamentals of the overall sector remain strong. As we believe that SMBs will increase their digital ad spend post recovering from COVID-19, the growth outlook for the overall industry is encouraging. Therefore, we expect the overall sector to re-rate gradually over the long-term.
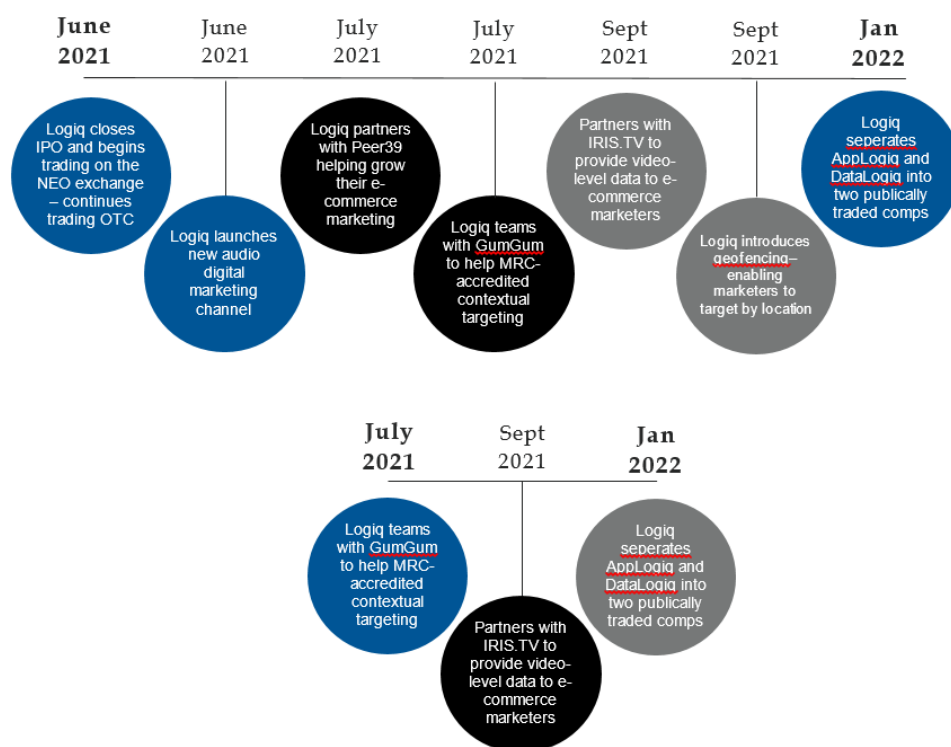
Attractive Valuation Relative to LCM and LDM Competitors: We analyze Logiq based on two different sets of comparables based on its two key operating segments. First set of comparables pertain to Logiq's consumer market place (LCM). We note that Logiq trades at a 1 year forward EV/gross profit of 1.9x compared to the median EV/gross profit for the peer group at 3.2x. On the basis of 1 year forward EV/Revenue, we note that Logiq trades at 0.6x, compared to the median value of peer group at 0.9x. Second set of comparables pertain to Logiq's digital marketing (LDM). We note that Logiq trades at a 1 year forward EV/gross profit of 1.9x compared to the median EV/gross profit for the peer group at 3.2x. On the basis of 1 year forward EV/Revenue, we note that Logiq trades at 0.6x, compared to the median value of peer group at 1.8x. We expect Logiq's valuation multiples to re-rate based on two factors. Firstly, we believe that the valuation multiples of the overall ad-tech sector will improve gradually over the long-term. Secondly, Logiq is relatively undervalued relative to its peers. We view the valuation discount to be warranted up to some extent considering the factors related to smaller size and liquidity. However, as Logiq continues to increase its revenue base and the visibility over positive free cash flow generation improves, the valuation multiples will improve gradually over the long-term, in our view.

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RESEARCH R CAPITAL
CORPORATION

INITIATING COVERAGE
Monday, March 28, 2022

BRIEF HISTORY OF LOGIQ

Logiq is a digital marketing technology company listed on OTCQX and NEO exchanges with a ticker LGIQ. The erstwhile Logiq has two business segments known as AppLogiq and Datalogiq. Recently (January 2022), the company has spun off its AppLogiq business segment into Lovarra (OTC: LOVA), a public company listed in the US. The separate entity related to Applogiq (Lovarra) has submitted an application to up list on OTCQB venture market ("OTCQB") and applied to FINRA to change its name and ticker to GoLogiq. Logiq intends to distribute 100% of its Lovarra/Gologiq shares to Logiq's shareholders as on the date of 30th December, 2021. According to Logiq, this might occur before 30 June 2022.

The current entity of Logiq is related to its Datalogiq segment and continues to trade on OTCQX and NEO exchanges with a ticker LGIQ. All the historical and forecasted financials mentioned in this report pertain to just the Datalogiq segment of erstwhile Logiq and currently known as LOGIQ.

Figure 1. Key Operating Milestones of LOGIQ
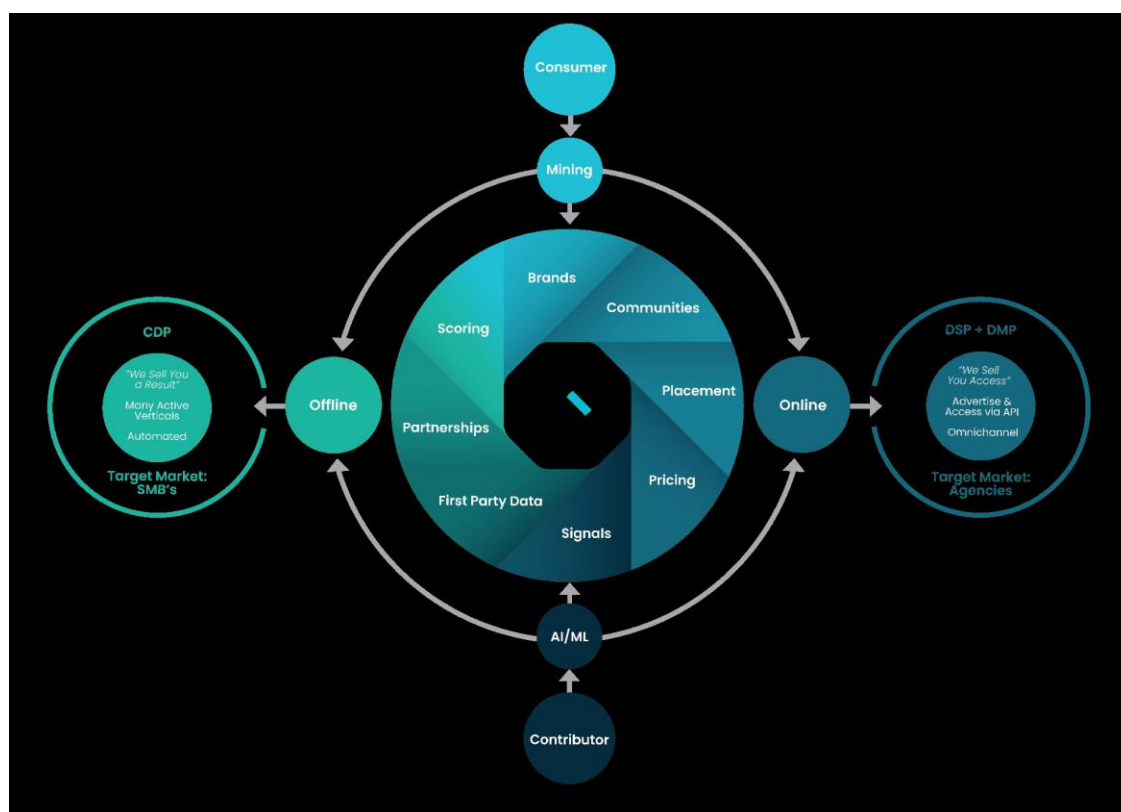

Source: LOGIQ Filings, Research Capital

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COMPANY OVERVIEW

Logiq is a digital marketing technology company, offering lead generation, digital advertising, and data management software solutions to clients. Logiq's marketing technology platform, based on artificial intelligence, machine learning, and big data, enables small and medium businesses to improve the effectiveness, reach, and return on investment of online marketing expenditure. Logiq generates revenue through the management of online display advertisement campaigns on behalf of its customers, which include per-impression, cost per acquisition ("CPA") arrangements and the delivery of qualified leads. Logiq's key revenue segments include Logiq consumer market place and Logiq digital marketing platform.

Figure 2. LOGIQ's Consumer Market Place (on the left) and Digital Marketing Platform (on the right)

Source: LOGIQ Filings, Research Capital

Logiq Consumer Market Place ("LCM"): Logiq's Consumer Market Place is a customer data platform ("CDP") that addresses the issue related to rising advertising costs and financial risk using walled gardens (Facebook, Linkedin etc.) for direct businesses. A CDP is software that collects and unifies 1st party customer data from several sources to build a single, coherent, and complete view of each customer. The target customer segment for LCM includes SMBs and aggregators such as Quinstreet, Select Quote, and SunRun etc.

To put this simply, the LCM enables its clients to identify their potential customers with a results-driven approach. Logiq relies on first-party data and its proprietary machine learning algorithms and analytics to generate leads for clients. This platform has a performance based revenue model based on metrics such as CPM (cost per thousand), CPC (cost per click), and CPE (cost per engagement) etc.

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Figure 3. LOGIQ's Consumer Market Place Based on its Proprietary Technology Infrastructure, Marble

Source: LOGIQ, Research Capital

Logiq's consumer market place sells leads in an auction style environment based on geo location and the vertical, which allows buyer pool to compete against each other. This creates a flywheel of first party data, insights and intelligence across many vertical markets through its brands. Currently, Logiq's portfolio consists of 80 buyer accounts with aggregators. Logiq's proprietary technology infrastructure, Marble handles the data intake, profile setup, enrichment, scoring, segmentation, and distribution.

Over the next few months, Logiq intends to launch a new market place with an upgraded version of Marble, which will enable it to sell directly to agents, contractors, and SMB buyers. By skipping the aggregator and controlling pricing using a flat per record subscription, Logiq may be able to improve profitability.

Figure 4. Logiq's Consumer Market Place based on latest version of Marble to Improve Profitability

Source: LOGIQ Filings, Research Capital

Logiq Digital Marketing ("LDM"): Logiq's Digital Marketing platform addresses the issue related to optimizing the advertising budget by effectively targeting the ad spend and understanding the complicated audience systems. The LDM creates one simple API driven framework and simplifies the process by collapsing the entire ad stack and fees associated with online advertising. Put simply, LDM is a self-serve platform, which enables clients to advertise across leading web, mobile, and connected TV destinations to attract more consumers to their stores. LDM helps clients to reduce customer acquisition costs and boost return on invested capital for adverting expenditure leveraging its advanced audience targeting, artificial intelligence algorithms, and block-chain based security. The target customer segment for LDM includes advertisers and agencies. The LDM generates revenue through a SAAS based fee.

TECHNOLOGY AND REGULATION CHANGING THE DYNAMICS OF LEAD GENERATION INDUSTRY

Currently, Logiq generates a major portion of its revenue through its Consumer Market place segment, which relies on a lead generation business model based in the USA. Logiq's consumer marketplace platform enables its clients to identify qualified leads who have a high propensity to convert into customers. The clients rely on lead generation companies in order to save valuable time and resources to focus on their core strategy.

Revenue Model of a Lead Generation Business: The revenue generated by lead generating companies depends on various factors such as the number of qualified leads, engagement level of leads, information available on the lead, and the industry to which the lead belongs to. For example, clients belonging to specific industries such as financial services pay a relatively higher fee for qualified leads compared to clients from industries such as personal services. Usually, the profit margin on a lead is directly proportional to the customer lifetime value of potential customers in an industry. Clients rely on various metrics such as Cost per lead, CPM (cost per thousand), CPC (cost per click), and CPE (cost per engagement) etc. to pay lead generation fee.

Figure 5. Global Digital Advertising Market Size

Estimated Digital Advertising Market Size in Globally (US$bn)	2020	2021	2022e	2023e	2024e	2025e	2030e
Statista	378	455	524	586	646	NA	NA
ResearchAndMarkets.com	374	NA	NA	NA	NA	764	1449
Technavio.com	347	362	378	396	416	NA	NA

Source: Multiple sources mentioned in the table

Figure 6. Digital Advertising Market Size in the US

Estimated Digital Advertising Market Size in the US (US$bn)	2020	2021	2022e	2023e	2024e	2025e	2030e
Emarketer.com	NA	191	221	250	NA	NA	NA
Oberlo.ca	153	211	240	271	293	315	NA
GroupM	218	251	262	272	283	NA	NA

Source: Multiple sources mentioned in the table

Large Addressable Market for Lead Generation Solutions: We believe that the growth in global digital market will be predominantly driven by the growth in US digital advertising market. Based on the estimates by various third party market research firms, the digital advertising market in the US will be around $280bn by 2024e. Lead generation business plays an important role in the digital marketing ecosystem and we believe the expenditure on lead generation solutions will grow with the growing digital advertising market. Based on the estimates of third party market research firms, the lead generation solutions market is expected to reach around $6bn by the end of 2025e, implying a robust annualized growth (CAGR) of over 17% over 2020-25e.

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Figure 7. Lead Generation Solutions Market Size in the US

Lead Generation Solutions Market Size in the US (US$mm)	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e
TheInsightPartners.com	2764	3247	3816	4484	5268	6190	7273	8546	9589
Statista.com	2840	3050	3150	3240	NA	NA	NA	NA	NA

Source: Multiple sources mentioned in the table

Technology to improve the reach of Lead Generation Software: The conventional lead generation tactics relying on print advertising and direct mail are becoming obsolete. The advent of new technologies enabled lead generation companies to target a larger base of clients efficiently with relatively asset light business models. Lead generation companies rely on search engine optimization, cold-calling, email marketing, and surveys conducted online. More recently, the adoption of artificial intelligence ("AI") and machine learning ("ML") based algorithms has increased the reach of lead generation software companies further.

Fragmented and Competitive Market: We note that the lead generation market is growing rapidly mainly due to the proliferation of lead generation software companies. This software automatically collects the information from various channels and generates qualified leads for clients. Currently, there are several private companies offering lead generation software such as Cience technologies, Leadfeeder, Hellobar, and Belkins etc. Few examples of public listed competitors include Zeta (NYSE:ZETA), System1 (NYSE:SST), and ad pepper media international (XTRA: APM). There are some companies such as eHealth (Nasdaq: EHTH) and EverQuote (Nasdaq: EVER) which focus on a specific industry such as Insurance.

Figure 8. Select List of Competitors to Logiq Consumer Marketplace

LCM Competitors	Description of Business
System1 Inc. (SST:NYSE)	System1, Inc. develops technology and data science to operate responsive acquisition marketing platform.
Zeta Global Holdings Corp. (ZETA:NYSE)	Zeta Global Holdings Corp. operates an omnichannel data-driven cloud platform that provides enterprises with consumer intelligence and marketing automation software.
QuinStreet Inc. (QNST:Nasdaq)	Customer acqusition services and online marketing services to clients
MediaAlpha (NYSE : MAX)	Insurance customer acquisition platform
eHealth (NasdaqGS : EHTH)	Health insurance market place
EverQuote (Nasdaq : EVER)	Insurance market place
Digital Media solutions (NYSE: DMS)	Performance marketing engine for companies across various industries
CIENCE Technologies (Private)	B2B Lead generation services
Belkins (Private)	B2B Lead generation services
Salespanel (Private)	Lead generation platform
Leadfeeder (Private)	Lead generation platform
Hellobar (Private)	B2B Lead generation services

Source: Research Capital

Growing Regulatory Focus on Consumer Privacy to Favor Companies relying on 1st Party Data: Historically, most of the lead generating companies relied on third party cookies to collect user information, which is critical in lead generation process. However, over the last few years, concerns over consumer privacy are growing and several countries are passing laws to protect consumer privacy. Furthermore, Safari and Firefox, the world's second and third largest web browsers, already block third-party cookies by default. Google Chrome, which owns around 65% of the global browser market has indicated its plans to block third party cookies in 2023e. Therefore, we believe that the lead generation companies relying on 1st party data to be at an advantageous position to gain market share, given the changing regulatory landscape.

KEY GROWTH DRIVERS FOR LOGIQ'S CONSUMER MARKET PLACE

Large Addressable Market: As we mentioned earlier, the lead generation market size is currently at around US$3bn and expected to reach around $10bn over the next few years. This implies a robust growth outlook for the industry.

LCM's Expansion into more Verticals: Currently, we note that LCM serves clients predominantly from verticals such as home improvement and insurance (financial services). As LCM enters into more sectors gradually, we expect the active customer growth outlook to improve.

Growing spend on lead generation as SMBs recover from COVID-19: We believe that the advertising spend of the potential customers of Logiq to improve gradually as they are recovering from the impact of COVID-19.

Other Growth Levers: The changing regulatory focus towards consumer privacy may enable Logiq to gain market share from lead generation companies relying mainly on third party data. If Logiq intends to expand beyond North America, this may increase its addressable market further. Logiq may remonetize its leads by re-engagement of its customers.
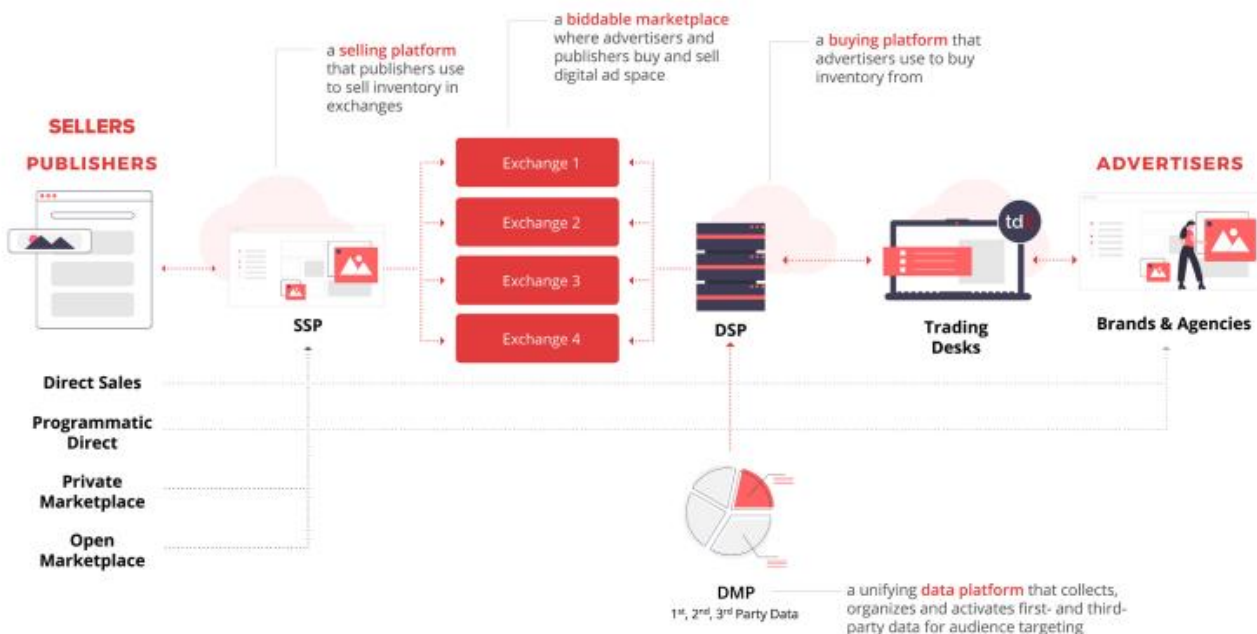
INDUSTRY OVERVIEW FOR LOGIQ'S DIGITAL MARKETING PLATFORM

Currently, Logiq generates a minor portion of revenue through its Digital Marketing platform ("LDM"), which serves as a demand side platform and a data management platform. Logiq earns a fixed SAAS based fee for its services as a demand side platform and data management platform in a programmatic advertising ecosystem.

Evolution of the Programmatic Advertising: In the beginning of digital advertising arena, advertisers used to rely heavily on manually identifying the target customers and identifying their preferred publishers (websites, blogs etc.) and buying ad spaces based on manual bidding. Ad networks used to focus on selling large volumes of ad impressions to advertisers through manual negotiations. This process is expensive, time consuming, and has a limited reach. Moreover, as the number of publishers grew exponentially, ad networks were unable to cater to the needs of publishers efficiently with significant unsold ad inventory. In order to address this challenge, ad exchanges emerged as an alternative to ad networks to automate the process of buying and selling ads without the intervention of a third party. Given the advantages related to reliability, transparency, and efficiency, various technology platforms emerged to improve the digital marketing dynamics which marked the beginning of programmatic advertising. Programmatic advertising is an automated process of buying and selling digital advertising through various software platforms using artificial intelligence and machine learning. The decisions related to the timing and location of a digital ad are taken by programmatic platforms based on the data about a visiting user (customer).

Various Parts of a Programmatic Advertising Value Chain: As shown in the below figure 9, various stakeholders in a programmatic advertising value chain include publishers, supply side platforms, ad exchanges, demand side platforms, data management platforms, trading desks, and brands & agencies.

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Figure 9. Programmatic Advertising Ecosystem

Source: www.audiencex.com

Publishers are the sellers/owners of digital advertising space. Common examples of publishers include websites, blogs, social media platforms, mobile applications, and OTT (over the top) platforms.

Supply Side Platforms (SSPs) offer a technology platform for publishers to connect them to various demand sources to enable the sale of publishers' digital advertising space. The primary goal of a SSP is to connect publishers with various ad exchanges, demand side platforms, and ad networks to increase the demand for their inventory to maximize the revenue generating potential of publishers.

Demand Side Platforms (DSPs) offer a technology platform for advertisers to automate the process of purchasing ad impressions. The primary goal of a DSP is to enable advertisers to buy high quality traffic with minimum cost leading to a higher return on invested ad spend. Trading desks help advertisers to work with several DSPs to manage programmatic media purchases across multiple channels.

Ad Exchanges act as market places connecting DSPs and SSPs to enable the buying and selling of advertising space, often through real-time bidding.

Data Management Platforms (DMPs) involve in the collection, organising, and activation of first, second, and third party customer data from various sources to build detailed customer profiles used in driving targeted advertising and personalization initiatives. DMPs provide these anonymized customer profiles to ad exchanges, DSPs, and SSPs to improve targeting, personalization, and content customization

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Figure 10. Advantages of Programmatic Advertising

Benefits of Programmatic vs. Non-Programmatic Advertising	
Programmatic	**Non-Programmatic**
Scalable and Flexible Spending: Programmatic ads are completely scalable in how much is spent on ad campaigns, making it an appropriate form of advertising for big and small businesses alike. SMBs with limited budgets can simply put a monetary ceiling on their campaigns so they do not end up overspending and paying more than they bargained for.	In contrast to an algorithm deciding where ads will be shown based on data, non-programmatic advertising is where a marketer negotiates with a salesperson to determine the price and then the marketer will choose where the ad is shown. The price is negotiated and fixed.
Large Reach: Programmatic advertising provides enormous reach to marketers because the marketplace for publishers far exceeds anything else. With millions of websites and the ad space being sold by them, programmatic advertising offers an opportunity to reach an incredibly broad and diverse audience, depending on the needs of the buyer.	In non-programmatic advertising, the selection of the placement of ads is custom and will be more specific to the particular advertiser, which means it may not have as large of a reach.
Transparency: Marketers can see exactly what sites their ads are being used on, what kinds of audiences are seeing their ads, and what they are getting in return on their investment.	Like programmatic advertising, marketers can see what sites their ads are being run on, however, the data on the return on investment will be less accurate.
Efficiency: Access to data in real-time means that marketers can make changes where necessary and optimize the placement and style of digital ads in order to effectivly make decisions.	Non-programmatic, direct ad buying is slower and more expensive.
Targeting: Programmatic advertising means several different factors can be segmented and targeted according to the needs of the marketer. Shopping habits and interests drive behavioral targeting, where ads will be shown to people who fit a certain behavior profile. Geo-targeting ensures that location-specific ads can be seen by those it's most relevant to, based on consumer information regarding region or postal codes.	Non-programmatic compared to programmatic is associated with higher CPMs, because the selection of the placement is custom and can be often considered a "perfect condition" for a particular advertiser.
Real-Time Data: Programmatic advertising is conducted through the application and analysis of data in real-time, therefore marketers have access to this information in real-time, too.	Because of the layers of human contact used in non-programmatic or traditional advertising, the data collected will not be in real-time.

Source: Research Capital

GROWING ADOPTION OF PROGRAMMATIC ADVERSTISING TO DRIVE THE ADDRESSABLE MARKET FOR LOGIQ'S DIGITAL MARKETING PLATFORM

Logiq's digital marketing platform is a demand side platform and a data management platform. These platforms usually charge a SAAS based revenue fee per month. We note that the contribution of programmatic advertising expenditure to the overall digital advertising market is growing rapidly over the last few years driven by several advantages mentioned in the above table. As the adoption of programmatic advertising improves, we believe the addressable market for demand side platforms to increase.

Figure 11. Global Programmatic Advertising Market Size

Programmatic Advertising Market Size Globally (US$mm)	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e
ReportLinker.com	2903	3240	3628	4061	4547	5091	5717	NA	NA
ResearchAndMarkets.com	5200	6796	8883	11610	15174	19833	25921	33700	NA
Verified Market Research	4860	6304	8177	10606	13757	17844	23146	30023	38670

Source: Research Capital

Figure 12. Programmatic Advertising Market Size in the US

Programmatic Advertising Market Size in US (US$mm)	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e
ReportLinker.com	560	659	755	864	989	1132	1296	1443	NA
ResearchAndMarkets.com	1600	NA	NA	NA	NA	NA	NA	NA	NA

Source: Research Capital

Figure 13. Global Market Size of Demand Side Platforms

Demand Side Platform System Market Size Globally (US$mm)	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e
360MarketUpdates.com	5558	7298	9582	12581	16519	21690	28478	38480	NA
OrbisResearch.com	10410	13533	17593	22871	29732	29680	NA	NA	NA
360ResearchReports.com	13274	17429	22885	30048	39453	51801	69340	NA	NA
ReportsAndData.com	18610	23263	29078	36348	45435	56793	70992	88739	11053

Source: Research Capital

Figure 14. Market Size of Demand Side Platforms in the US

Demand Side Platform System Market Size in US (US$mm)	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e
MarketResearch.com	4528	6294	8748	12160	16903	25687	NA	NA	NA
FiorMarkets.com	4689	5922	7480	9447	11894	NA	NA	NA	NA

Source: Research Capital

Figure 15. Select list of Competitors for Logiq Digital Marketing Platform

LDM Competitors	Description of Business
AdTheorent (NasdaqCM : ADTH)	Digital media platform for advertisers in the US and Canada
The Trade Desk Inc. (TTD:TSX)	Self-service cloud-based platform that allows buyers to create, manage, and optimize data-driven digital advertising campaigns in various ad formats and channels.
AcuityAds Holdings Inc. (AT:TSX)	programmatic marketing platform that enables advertisers to connect with their audiences across online display, video, social, and mobile campaigns.
Kubient Inc. (KBNT:Nasdaq)	Kubient, Inc. develops a cloud-based software platform for digital advertising industry.
Criteo S.A. (CRTO:Nasdaq)	Criteo S.A. provides marketing and monetization services on the open Internet. Criteo Marketing Solutions allows commerce companies to address various marketing goals by engaging their consumers with personalized ads across the web and mobile.
ChannelAdvisor Corp. (ECOM:NYSE)	ChannelAdvisor Corporation, together with its subsidiaries, provides software-as-a-service (SaaS) solutions. The company's SaaS is a cloud platform that helps brands and retailers to improve their e-commerce operations, expand to new channels, and grow sales.
PubMatic Inc. (PUBM:Nasdaq)	PubMatic, Inc. provides a cloud infrastructure platform that enables real-time programmatic advertising transactions for Internet content creators and advertisers worldwide.
TubeMogul Inc. (subsidiary of Adobe)	TubeMogul, Inc. designs, develops, and markets software for digital branding. It develops Adobe Advertising Cloud, a cloud-based platform that enables advertisers to plan, buy, measure, and optimize video advertising spend from a single platform.
Viant Technology Inc. (DSP:Nasdaq)	Viant Technology Inc. operates as an advertising software company. It provides Adelphic, an enterprise software platform that enables marketers and their advertising agencies to plan, buy, and measure advertising across channels.
Tremor International Ltd. (TRMR:AIM)	Tremor International Ltd. provides end-to-end software platform that enables advertisers to reach relevant audiences and publishers.

Source: Research Capital

KEY GROWTH DRIVERS FOR LOGIQ'S DIGITAL MARKETING PLATFORM

Large Addressable Market: As mentioned earlier, the market size and growth outlook of the addressable market of LDM is robust.

LDM's Value Proposition: We believe that transparency in pricing and relatively lower threshold for minimum advertising spend on a platform will play a key role providing attractive value proposition. According to Logiq, the pricing structure is transparent for LDM's self-serve platform and is a SAAS fee based on a fixed percentage of advertising spend. In addition, according to Logiq the monthly commitment

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is relatively lower compared to that of several peers in the industry. This may be a key factor for several SMBs which intend to allocate lower budget to advertising spend based on the seasonal factors.

COVID-19 recovery: As the advertisers recover from COVID-19, we believe the advertising spend to improve gradually, which may propel the growth outlook of LDM.

FINANCIAL OUTLOOK: WHAT IS FACTORED IN OUR INVESTMENT THESIS

Revenue Growth Outlook: We expect the near-term revenue growth for Logiq to be driven primarily by Logiq's consumer market place segment. Based on our estimates, we expect the revenue to grow to $39mm in 2023e compared to $22mm in 2021e, implying an annualized growth (CAGR) of 33%.

Growing Contribution of LDM to Boost Profitability: We expect the gross margin outlook to improve as the proportion of revenue from Logiq's digital market segment increases. We estimate the gross margin to improve to around 30% in 2023e compared to that of 28% in 2021e. Over the long-term, we assume the gross margin to improve to 34% for Logiq mainly driven by the LDM segment.

Figure 16. Net Revenue and Gross Margin Outlook
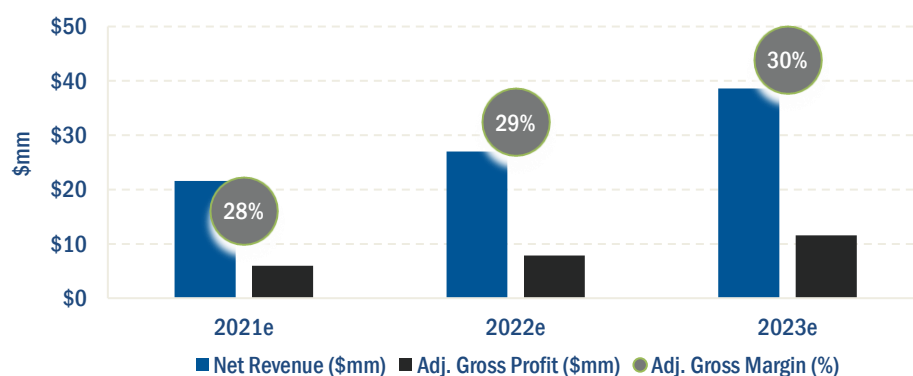
Source: Research Capital

COMPARABLE ANALYSIS USING RELATIVE VALUATION

We prefer to use EV/Gross profit for comparable analysis due to multiple reasons. EV/Gross Profit factors the gross margin into account in addition to growth and capital requirements. Moreover, we note that some companies in the peer group (including LOGIQ) are yet to generate a meaningful EBITDA or earnings.

We analyze Logiq based on two different sets of comparables based on its two key operating segments. First set of comparables pertain to Logiq's consumer market place (LCM). We note that Logiq trades at a 1 year forward EV/gross profit of 1.9x compared to the median EV/gross profit for the peer group at 3.2x. On the basis of 1 year forward EV/Revenue, we note that Logiq trades at 0.6x, compared to the median value of peer group at 0.9x.

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Figure 17. Comparable Valuation for LCM (Lead Generation) Competitors

Company	Symbol	Share Price	Market Cap.	EV	EV/Revenue LTM	EV/Revenue NTM	EV/Revenue 2023e	EV/EBITDA 2023e	EV/Gross Profit 2023e	P/E 2023e
MediaAlpha, Inc.	NYSE:MAX	$19	$799	$1,007	1.2x	1.2x	0.9x	10.2x	5.6x	35.8x
eHealth, Inc.	NasdaqGS:EHTH	$16	$436	$423	0.6x	0.7x	0.6x	NMF	0.7x	NMF
EverQuote, Inc.	NasdaqGM:EVER	$19	$579	$612	1.2x	1.1x	0.9x	23.6x	1.0x	NMF
QuinStreet, Inc.	NasdaqGS:QNST	$15	$811	$729	1.0x	0.9x	0.8x	8.5x	6.5x	53.1x
Digital Media Solutions, Inc.	NYSE:DMS	$4	$161	$437	0.8x	0.8x	0.6x	4.8x	2.2x	7.6x
System1, Inc.	NYSE:SST	$17	$1,130	$1,311	2.1x	1.4x	0.9x	6.1x	3.2x	34.2x
Zeta Global Holdings Corp.	NYSE:ZETA	$14	$2,705	$3,452	5.9x	5.0x	4.2x	24.2x	6.6x	28.9x
LOGIQ	OTCQX: LGIQ	$1.0	$26	$23	0.8x	0.7x	0.6x	NMF	1.9x	NMF
Median					*1.2x*	*1.1x*	*0.9x*	*9.4x*	*3.2x*	*34.2x*

Source: S&P Capital IQ, Research Capital

Second set of comparables pertain to Logiq's digital marketing (LDM). We note that Logiq trades at a 1 year forward EV/gross profit of 1.9x compared to the median EV/gross profit for the peer group at 3.2x. On the basis of 1 year forward EV/Revenue, we note that Logiq trades at 0.6x, compared to the median value of peer group at 1.8x.

Figure 18. Comparable Valuation for LDM Competitors

LDM Competitors	Symbol	Share Price	Market Cap.	EV	EV/Revenue LTM	EV/Revenue NTM	EV/Revenue 2023e	EV/EBITDA 2023e	EV/Gross Profit 2023e	P/E 2023e
The Trade Desk, Inc.	NasdaqGM:TTD	$86.2	$41,089	$42,494	28.0x	21.0x	16.9x	NMF	20.6x	NMF
AcuityAds Holdings Inc.	TSX:AT	$3.6	$220	$137	1.1x	1.0x	0.8x	5.1x	1.6x	13.0x
Kubient, Inc.	NasdaqCM:KBNT	$2.7	$38	$24	6.3x	3.8x	1.1x	NMF	NMF	NMF
PubMatic, Inc.	NasdaqGM:PUBM	$32.6	$1,692	$1,631	5.7x	4.6x	3.7x	9.8x	5.1x	29.9x
Criteo S.A.	NasdaqGS:CRTO	$34.4	$2,089	$1,848	0.6x	1.4x	1.3x	4.0x	1.5x	7.7x
ChannelAdvisor Corporation	NYSE:ECOM	$20.8	$1,136	$1,065	5.1x	4.6x	4.2x	19.5x	5.4x	16.5x
AdTheorent Holding Company, Inc.	NasdaqCM:ADTH	$10.6	$907	$912	4.6x	3.8x	2.9x	15.1x	4.3x	17.6x
Tremor International Ltd	AIM:TRMR	$9.3	$1,442	$993	2.3x	2.1x	1.8x	4.1x	2.1x	8.7x
Viant Technology Inc.	NasdaqGS:DSP	$8.5	$114	$161	0.6x	0.5x	0.4x	2.9x	0.8x	15.7x
LOGIQ	OTCQX: LGIQ	$1.0	$26	$23	0.8x	0.7x	0.6x	NMF	1.9x	NMF
Median					*4.6x*	*3.8x*	*1.8x*	*5.1x*	*3.2x*	*15.7x*

Source: S&P Capital IQ, Research Capital

COMPRESSION OF VALUATION MULTIPLES IN THE AD-TECH SPACE NOT JUSTIFIED BY FUNDAMENTALS

Based on our observation of valuation multiples for select peers of Logiq, we note that the valuation multiples have declined significantly over the last year. For instance, the median EV/revenue for LCM competitors declined by around 3 times over the last year. Similarly, we observe that the median EV/revenue for LDM competitors declined by around 70% over the last year.

The challenging macro-economic conditions, volatile geo political situations, and COVID-19 may be among the reasons for a compression in the valuation multiples. However, we believe that the fundamentals of the overall sector remain strong. As we believe that SMBs will increase their digital ad spend post recovering from COVID-19, the growth outlook for the overall industry is encouraging. Therefore, we expect the overall sector to re-rate gradually over the long-term.

Figure 19. Declining Trend of EV/Revenue for Lead Generation Competitors

Legend:
- MediaAlpha, Inc. (NYSE:MAX) - TEV/Total Revenues
- eHealth, Inc. (NasdaqGS:EHTH) - TEV/Total Revenues
- EverQuote, Inc. (NasdaqGM:EVER) - TEV/Total Revenues
- QuinStreet, Inc. (NasdaqGS:QNST) - TEV/Total Revenues
- Digital Media Solutions, Inc. (NYSE:DMS) - TEV/Total Revenues
- System1, Inc. (NYSE:SST) - TEV/Total Revenues
- Zeta Global Holdings Corp. (NYSE:ZETA) - TEV/Total Revenues
- Logiq, Inc. (OTCPK:LGIQ) - TEV/Total Revenues

Source: S&P Capital IQ

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Figure 20. Median EV/Revenue for Lead Generation Technology Competitors Declined by 3 times Over the Last Year

Source: S&P Capital IQ, Research Capital

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Figure 21. Declining Trend of EV/Revenue for LDM Competitors over the Last Year

Legend:
- The Trade Desk, Inc. (NasdaqGM:TTD) - TEV/Total Revenues
- AcuityAds Holdings Inc. (TSX:AT) - TEV/Total Revenues
- AdTheorent Holding Company, Inc. (NasdaqCM:ADTH) - TEV/Total Revenues
- Kubient, Inc. (NasdaqCM:KBNT) - TEV/Total Revenues
- Tremor International Ltd (AIM:TRMR) - TEV/Total Revenues
- PubMatic, Inc. (NasdaqGM:PUBM) - TEV/Total Revenues
- ChannelAdvisor Corporation (NYSE:ECOM) - TEV/Total Revenues
- Criteo S.A. (NasdaqGS:CRTO) - TEV/Total Revenues
- Logiq, Inc. (OTCPK:LGIQ) - TEV/Total Revenues
- Viant Technology Inc. (NasdaqGS:DSP) - TEV/Total Revenues

Source: Research Capital

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Figure 22. Median EV/Revenue for LDM Competitors Declined by 70% over the Last Year

Source: S&P Capital IQ, Research Capital

VALUATION METHODOLOGY AND RECOMMENDATION

We initiate Logiq (LGIQ: OTCQX) with a **BUY** rating and a 12 month forward Target Price of US$2.00/sh. Our Target Price is based on DCF valuation methodology using a cost of capital (WACC) of 13.5% and a terminal growth rate of 2%. We use capital asset pricing model (CAPM) to calculate WACC. We assume a risk free rate of 2%. We assume a Beta of 2.0. We use a market risk premium of 6%. We use an after-tax cost of debt of 9.5%.

Figure 23. WACC Calculation

WACC Calculation	
Risk Free Rate	2.0%
Market Risk Premium	6.0%
Beta	2.0
Cost of Equity (%)	14.0%
After-tax Cost of Debt (%)	9.5%
Proportion of Debt in Target Capital Structure (%)	10.0%
WACC (%)	**13.5%**

Source: Research Capital

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KEY RISKS TO OUR INVESTMENT THESIS AND TARGET PRICE

Competition: The digital advertising market is highly fragmented and competitive. If the competitive environment is higher than our expectation, then it may impact the profitability negatively.

Growth Risk: If the company's products are not received well in the market or if the customer churn rate is more than expected, growth may be lower than expected, which may pose a downside risk to our valuation

Financial Modelling Risk: Our financial modelling approach relies on assumptions and economic, statistical, mathematical, or financial theories and techniques and could differ from actual outcomes.

COVID-19: COVID 19 has impacted several sectors across the world. Lockdown in various operational markets may impact the pace of customer acquisition which may lead to lower than expected growth and valuation.

M&A Risk: The Company's growth strategy involves acquiring attractive target companies in the market. This may involve risks related to integration shortfalls and overpaying for the acquisition.

Technology Risk: If there is a new technology that offers significantly better value proposition to customers, the existing technology may become obsolete and it may impact the prospects of the company.

Macroeconomic Risk: The economy of the company's key operating markets will impact the customer growth. If the business conditions for the company's clients are not favourable, this may lead to a higher than expected churn rate or lower than expected new customer additions.

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APPENDICES

MANAGEMENT

Logiq's management consists of the following individuals:

- **Brent Suen, Chief Executive Officer, Executive Chairman.** Mr. Suen has 31 years of experience in the capital markets/investment banking industry. He also has significant experience with Telecom, Media and Technology companies as both investor and advisor. Mr. Suen has significant operational experience with both start-ups and expansion stage companies in Silicon Valley during the 1990's, emerging markets experience in Asia, Eastern Europe and Latin America, and more recently mobile and internet companies in Southeast Asia.

- **John MacNeil, Chief Operating Officer, Director.** Mr. MacNeil has experience in both financial services and technology industries over the course of a thirty-year career. From 2008 to present, John advised technology, financial technology and renewable energy companies on strategic relationships, financial forecasting, investor relations and capital formation.

- **Lionel Choong, Chief Financial Officer, Director.** Mr. Choong has had over 30 years of experience in finance across a number of fields, such as 'Big 4' audit, compliance and chief financial officer. He was former vice chairman of Emerson Radio. Mr. Choong was also the former Chief Financial Officer of Byford London, listed on the Hong Kong Stock Exchange.

- **Haig Newton, President, DataLogiq.** Mr. Newton was previously chief technology officer of ConversionPoint Technologies. Mr. Newton has knowledge in a variety of areas, including design, finance, web development, accounting, technical development, and branding.

- **Rod Granero, Chief Financial Officer, DataLogiq.** Mr. Granero has 14+ years of management experience in leading and building the accounting, finance, treasury, financial planning, tax, acquisition and investor relations functions of various companies. Mr. Granero held various management roles at high-growth startup companies as well as large companies, such as Verizon and Youngs Market, across various industries.

- **Manny Puentes, President, Logiq Digital Marketing.** Mr. Puentes has more 20+ years of experience leading technology and product at multimillion dollar companies.

- **Chris Jahnke, Chief Marketing Officer.** Mr. Jahnke has previously served as the CMO of ConversionPoint Technologies. Mr. Jahnke is an expert on media buying strategies, and has developed and launched thousands of successful digital marketing campaigns.

BOARD OF DIRECTORS

Logiq's board of directors consists of the following individuals:

- **Brent Suen, Chief Executive Officer, Executive Chairman.** Mr. Suen has 31 years of experience in the capital markets/investment banking industry. He also has significant experience with Telecom, Media and Technology companies as both investor and advisor. Mr. Suen has significant operational experience with both start-ups and expansion stage companies in Silicon Valley during the 1990's, emerging markets experience in Asia, Eastern Europe and Latin America, and more recently mobile and internet companies in Southeast Asia.

- **John MacNeil, Chief Operating Officer, Director.** Mr. MacNeil has experience in both financial services and technology industries over the course of a thirty-year career. From 2008 to present, John advised technology, financial technology and renewable energy companies on strategic relationships, financial forecasting, investor relations and capital formation.

- **Lionel Choong, Chief Financial Officer, Director.** Mr. Choong has had over 30 years of experience in finance across a number of fields, such as 'Big 4' audit, compliance and chief financial officer. He was former vice chairman of Emerson Radio. Mr. Choong was also the former Chief Financial Officer of Byford London, listed on the Hong Kong Stock Exchange.

- **Matthew Burlage, Director.** Mr. Burlage has spent the last three decades involved in financing and advising Asia's leading corporations, government enterprises and financial institutions and has been involved in some of the most ground-breaking transactions in Asia, particularly in the telecom, media and technology (TMT) sectors.

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- **Lea Hickman, Director.** Ms. Hickman is a seasoned technology product strategist with more than 25 years' experience building and executing go-to-market strategies.

- **Ross O'Brien, Director**. Mr. O'Brien is an analyst, writer, presenter, and consultant focused on the economies and business environments of the Asia-Pacific, with over 25 years of experience in the region. His analysis surrounds Asia's Innovation Economy — the intersection of information technology and the region's broader society and economy.

- **Brett Lay, Director.** Mr. Lay has 28 years of operating experience including 15 years as a Chief Financial Officer for both private and public companies.

- **Josh Jacobs, Director.** Mr. Jacobs is a former Omnicom and Yahoo! senior executive, with 30 years of innovation in digital media and advertising, sales and marketing, and strategic business and consumer product development.

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Figure 24. Insider Holdings

Insider Holdings		
Name	**Title**	**% Ownership**
Manny Puentes	President LDM	4.0%
Brent Suen	Chief Executive Officer	1.6%
Haig Newton	President CSO	1.5%
Chris Jahnke	Chief Digital Officer	1.5%
John MacNeil	Chief Operating Officer	1.2%
Eddie Foong	Co-Founder	1.1%
Matthew Brent	CEO, GoLogiq	1.1%
Lionel Choong	Chief Financial Officer	1.0%
Independent Board of Directors as a total		2.0%
Fixel AI Founders		1.6%
Total:		**16.6%**

Source: Research Capital

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APPENDIX 1: FINANCIAL FORECAST

Figure 25: LOGIQ – Income Statement

Income Statement	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Revenue	15	22	27	39	56	66	76	86	95	104	113	122
Cost of goods sold	(15)	(16)	(19)	(27)	(37)	(44)	(50)	(57)	(63)	(69)	(75)	(80)
Gross Profit	0	6	8	12	19	22	26	29	32	35	38	41
Gross margin %	*3%*	*28%*	*29%*	*30%*	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*	*34%*
EBITDA	(5)	(1)	(6)	(5)	(1)	2	6	10	14	17	21	25
Operating Income	(4)	(5)	(10)	(9)	(4)	(0)	4	8	12	15	19	22
Other income (expense)	(0)	1	0	0	(0)	(0)	(0)	(0)	(0)	0	1	2
Pre-tax earnings	(4)	(4)	(10)	(9)	(5)	(0)	4	8	12	15	19	23
Income tax expense	(0)	(0)	0	0	0	0	(1)	(2)	(2)	(3)	(4)	(5)
Net income (loss)	(5)	(4)	(10)	(9)	(5)	(0)	3	6	9	12	15	18

Source: Company reports and RCC

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Figure 26: LOGIQ – Balance Sheet

Balance Sheet	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
ASSETS												
Cash	-	4	1	1	1	2	5	3	11	23	38	56
Receivables	-	3	0	0	0	0	0	0	0	0	0	0
Inventory	-	-	-	-	-	-	-	-	-	-	-	-
Other current assets	-	8	8	8	8	8	8	8	8	8	8	8
Current assets	**-**	**15**	**9**	**10**	**9**	**10**	**14**	**11**	**20**	**31**	**46**	**64**
Property, plant and equipment	-	0	0	0	0	0	0	0	0	0	0	0
Intangible assets	-	15	12	9	7	6	5	5	6	6	7	8
Other assets	-	6	6	6	6	6	6	6	6	6	6	6
Total assets	**-**	**35**	**27**	**24**	**22**	**21**	**25**	**22**	**31**	**43**	**59**	**78**
LIABILITIES												
Short term borrowings	-	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	-	-	1	7	9	9	9	-	-	-	-	-
Current liabilities	**-**	**0**	**1**	**7**	**9**	**9**	**9**	**0**	**0**	**0**	**0**	**0**
Long-term liabilities	-	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	**-**	**0**	**1**	**7**	**9**	**9**	**9**	**0**	**0**	**0**	**0**	**0**
SHAREHOLDERS' EQUITY												
Share capital, reserves and others	-	111	111	111	111	111	111	111	111	111	111	111
Retained Earnings	-	(76)	(86)	(95)	(99)	(99)	(96)	(90)	(81)	(68)	(53)	(34)
Total shareholders' equity	-	35	25	16	12	12	15	21	31	43	58	77
Total liabilities and equity	**-**	**35**	**27**	**24**	**22**	**21**	**25**	**22**	**31**	**43**	**59**	**78**
Check	-	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)

Source: Company reports and RCC

Figure 27: LOGIQ – Statement of Cash Flows

Statement of Cash Flows	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
OPERATING												
Net income (loss)	0	(2)	(10)	(9)	(4)	(0)	3	6	9	12	15	19
Depreciation and amortization	0	2	4	4	3	3	2	2	2	2	3	3
Share-based compensation	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	(4)	0	0	0	0	0	0	0	0	0	0
Changes in non-cash working capital	0	(3)	4	6	2	0	0	(9)	0	0	0	0
Operating cash flow	**0**	**(14)**	**(2)**	**1**	**1**	**2**	**5**	**(1)**	**11**	**15**	**18**	**21**
FINANCING												
Share issuance	0	0	0	0	0	0	0	0	0	0	0	0
Net Proceeds from Loans	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Financing cash flow	**0**	**(2)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
INVESTING												
Capital expenditures	0	(0)	(1)	(1)	(1)	(2)	(2)	(2)	(3)	(3)	(3)	(3)
Other	0	(0)	0	0	0	0	0	0	0	0	0	0
Investing Cash Flow	**0**	**(1)**	**(1)**	**(1)**	**(1)**	**(2)**	**(2)**	**(2)**	**(3)**	**(3)**	**(3)**	**(3)**
Change in cash	0	(9)	(3)	0	(0)	1	3	(3)	9	12	15	18
Cash, beginning of period	0	0	4	1	1	1	2	5	3	11	23	38
Cash, end of period	**0**	**4**	**1**	**1**	**1**	**2**	**5**	**3**	**11**	**23**	**38**	**56**

Source: Company reports and RCC

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2. This Issuer has generated investment banking revenue for Research Capital Corp.

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I, Venkata Velagapudi, certify the views expressed in this report were formed by my review of relevant company data and industry investigation, and accurately reflect my opinion about the investment merits of the securities mentioned in the report. I also certify that my compensation is not related to specific recommendations or views expressed in this report.

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DEPARTMENT LISTING

RESEARCH
TORONTO

Adam Schatzker .... 416.860.6781 .... Managing Director, Mining

Stuart McDougall .... 416.860.8636 .... Analyst, Mining

Andre Uddin... .... 416.860.8675 .... Managing Director, Healthcare Research

Venkata Velagapudi .... 416.860.8633 .... Analyst, Special Situations

Jack Keating .... 416.860.7658 .... Research Associate

Sara Becher .... 416.860.7795 .... Research & Marketing Manager

CALGARY

Bill Newman, CFA .... 403.260.2460 .... Senior Analyst

SALES & TRADING
TORONTO

Jeff Crane 416.860.8681

Terry Sugrue 416.860.7747

Doug Van Peteghem 416.860.7755

Jamie Riff 416.860.6849

Elena Laudisa 416.860.7651

Evan Trott 416.860.7655