

October 3, 2022

Kidoz | Connecting 'Kidoz' to Safe and Secure Advertising

We are initiating the coverage of Kidoz with a Buy rating and Target price of \$1.00/sh.

- Structural Changes in the Industry and Positive Regulatory Amendments to Increase Kidoz's Adoption
- Competitive Advantage Driven by Kidoz's Brand Value with a Niche Focus on Kids
- Compelling Valuation and Attractive Acquisition Target

Kidoz's Mobile Advertising Technology to Protect the Privacy and Security of Minors

: Kidoz (KIDZ: TSXV) is a contextual mobile advertising platform that provides a suite of advertising technology to enable brands (advertisers) to reach their target customers. The company's advertising network complies with COPPA (Children's online privacy protection rule), GDPR (General data protection regulation), and other laws adopted to protect the privacy and security of minors. The mobile application developers install Kidoz SDK (Software Development Kit) into their apps before releasing them into the app stores. The Kidoz SDK enables it to access advertising impressions available for sale. Kidoz is among the 11 ad network SDKs certified by Google to advertise to kids. Based on our knowledge, Kidoz is the only company other than "Superawesome" (Private) focused solely on kids.

Investment Thesis: We are optimistic about Kidoz due to multiple reasons. Firstly, Kidoz's addressable market will grow consistently due to a structural shift of digital advertising toward In-app advertising. As Kidoz capitalizes on its programmatic ad sourcing segment, the company's ad fill rate will increase significantly, leading to its revenue acceleration. In addition, regulatory amendments focused on protecting kids' online security will boost Kidoz SDK's adoption, further expanding its addressable market. We believe Kidoz's competitive advantage is driven by its niche focus on kids' business, changing regulatory policies, and the company's brand value/trust gained over the last several years. We view Kidoz's partnership with well-known brands (Figure 6), such as Legos and Disney, as a testimony of Kidoz's strong brand value. Kidoz SDK is installed in more than 4000 apps worldwide with a monthly active user base of over 300 million. Installation of Kidoz SDK in prominent apps (Figure 5) such as Hippo and Play kids demonstrates the company's track record in delivering results for publishers. We view the current valuation of Kidoz to be compelling for long-term investors and strategic acquirers.

Potential Catalysts: We believe that macroeconomic headwinds related to the recession, inflationary pressures leading to higher interest rates, depreciation of domestic currencies, and a decline in advertising expenditure may continue to impact investor sentiments over the short term. The critical long-term catalysts for the stock price include visibility over the impact of programmatic ad sourcing and positive regulatory amendments on the revenue growth, positive EBITDA and Free cash flow generation, and a potential re-rating of the overall digital marketing/AdTech sectors.

KEY INFORMATION

Price	C\$0.30
Price Target	C\$1.00
Rating	BUY
Market Cap (\$M)	C\$39.50

MARKET DATA

KIDZ-TSXV	C\$0.30
Enterprise Value (\$M)	C\$37.8
Cash (\$M)	C\$1.70
Shares Out. (MM)	131.6
Debt (\$M)	C\$0.10

ESTIMATES

		2021A	2022E	2023E
Revenue (\$MM)	Q1	2	2	3
	Q2	2	3	3
	Q3	3	3	4
	Q4	6	7	9
	FY	12	15	18

ANALYST INFORMATION

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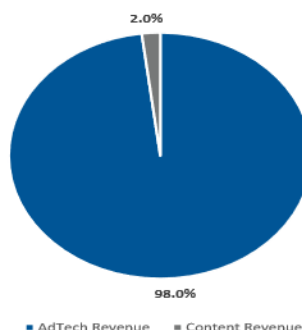
OVERVIEW OF KEY FINANCIALS

Income Statement (\$mm)	2020	F2021e	F2022e	F2023e
Revenue	7	12	15	18
Cost of Sales	4	7	9	11
Gross Profit	3	5	6	7
Gross Margin %	47%	43%	38%	37%
Operating Expenses	4	6	6	6
Operating Income (loss)	(1)	(0)	(0)	1
Operating Margin %	-	-	-	7%
EBITDA	0	1	0	2
Net Income (Loss)	(1)	(0)	(1)	1

Balance Sheet (\$mm)	2020	2021	2022	2023
Cash and Cash Equivalents	1	2	3	4
Inventory	-	-	-	-
Intangible assets	6	5	4	4
Other	9	7	4	4
Total Assets	16	14	11	12
Short-term Liabilities	2	4	2	2
Long-term Liabilities	0	0	0	0
Total Liabilities	2	5	2	2
Shareholders' Equity	9	9	9	10

Cash Flow (\$mm)	2020	2021	2022	2023
Operating CF (Excl. Δ NWC)	8	2	0	1
Changes in NWC	-	(1)	0	-
Operating Cash Flow	8	1	1	1
Investing Cash Flow	(2)	(0)	(0)	-
Financing Cash Flow	(3)	0	(0)	-
Change in Cash	4	1	1	1

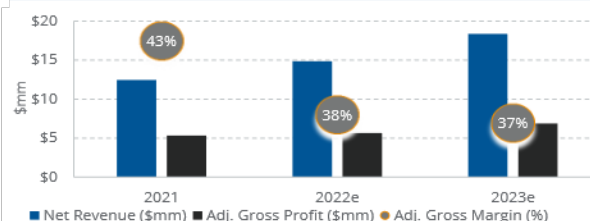
Segment-wise Revenue (based on Q2/22)



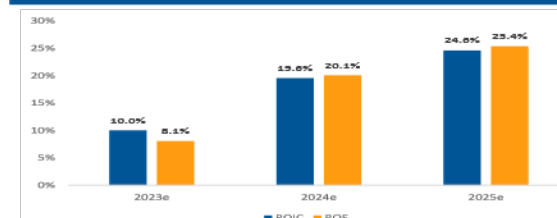
Potential Catalysts for the Share Price

Visibility over the impact of Programmatic ad sourcing on revenue growth
Potential regulatory amendments improving Kidz's financials
Positive EBITDA and Free Cash Flow Generation
Rerating of the overall Digital marketing/ AdTech sectors

Revenue and Gross Margin Outlook



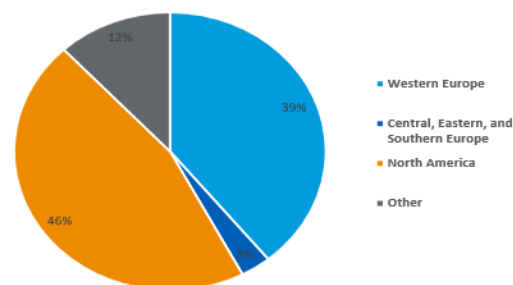
ROIC and ROE Estimates



Valuation Multiples

Multiples	2022e	2023e	2024e
EV/Revenue	2.5	2.0	1.5
EV/Gross Profit	6.5	5.3	4.2
EV/EBITDA	NMF	18.7	9.6

Revenue Breakup based on Geography (based on Q2/22)



Key Drivers of Our Investment Thesis

Large addressable market for contextual software development kits
Programmatic ad sourcing to be a key inflection point in driving growth
Relationships with prominent brands implying credibility built over years
Compelling Valuation and Attractive Acquisition Target

TECHNOLOGY

KIDOZ INC.

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Detailed Investment Thesis

Structural Shift of Digital Advertising Market towards In-App Advertising Market Will Grow Kidoz's Addressable Market: We note that the rapid growth in the mobile advertising market is triggered by In-app advertising, as most users spend more time on apps compared to than on browsers. In addition, In-app advertising results in a higher conversion rate of impressions as it can be more personalized and enables brands to target customers more accurately. Based on the estimates of various third-party market research firms, the In-app advertising market's size will grow above 20% (CAGR) over the next five years, implying a robust growth in the addressable market for mobile ad networks such as Kidoz.

Programmatic Ad Sourcing Segment May Result in a Key Inflection Point for Kidoz: The primary revenue stream of Kidoz, AdTech revenue, comprises direct media sales related to direct deals with advertisers and publishers. According to the company, Kidoz can fill less than 15% of the monthly ad slots presented via the Kidoz software development kit (SDK). Around 2 billion ad impressions are not sold each month. However, the company believes that its programmatic advertising platform (by integrating with DSPs, SSPs, and Ad exchanges) may enable it to increase the number of monthly ads that are filled by around 3 to 8 times.

Favorable Regulatory Policies May Positively Impact the Adoption of Kidoz SDK (Software Development Kit): Currently, children's online privacy and security are protected by the Children's Online Privacy Protection Act ("COPPA") which was passed in the year 1998. COPPA has a limited scope as it applies only to commercial websites/online services that specifically target kids and only protects the privacy of children under the age of 13. Recently, the California state senate approved the California Age-Appropriate Design Code Act ("ADCA"), which still needs to be signed by the governor to become state law, expected to be implemented in 2024. The new bill ADCA is more extensive regarding businesses falling under its purview and end users (anyone under 18 is considered a kid, unlike COPPA's age limit of 13 to be considered a kid). ADCA will apply to all businesses covered under the California Privacy Rights Act and provide inline products, services, and features likely to be accessed by children (unlike COPPA's applicability to commercial websites/online services targeting kids). We view these regulatory amendments to be favorable to Kidoz as they may increase the company's addressable market by improving the adoption of Kidoz SDK. Based on anecdotal evidence from the past, we believe that other US states and international countries may adopt this regulation.

Competitive Advantage Driven by Kidoz's Brand Value with a Niche Focus on Kids Business and Evolving Regulation: We believe that several factors such as underlying technology, user experience, customer support, reach of the platform, transparency, and compliance with Google/Apple policies, etc. may play a key role in determining the success of a mobile ad network platform. We believe that the key entry barrier for a new player to enter this industry is gaining credibility and partnering with prominent brands and app developers. We view Kidoz's partnership with well-known brands (Figure 6), such as Legos and Disney, as a testimony of Kidoz's strong brand value. Kidoz SDK is installed in more than 4000 apps worldwide with a monthly active user base of over 300 million. Installation of Kidoz SDK in prominent apps (Figure 5) such as Hippo and Play kids etc. demonstrates the company's track record in delivering results for publishers. Endorsements from platforms such as Google and Apple further boost our confidence in Kidoz's ability to comply with evolving regulatory amendments focused on the privacy and security of user data. Kidoz is among the 11 ad network SDKs certified by Google to advertise to kids. Based on our knowledge, Kidoz is the only company other than "Superawesome" (Private) focused solely on kids.

Compelling Valuation and Attractive Acquisition Target: Kidoz trades at an EV/Revenue of 2.0x, EV/Gross Profit of 5.3x based on FY23e. We view Kidoz as an attractive acquisition target based on strategic and valuation reasons. The larger mobile ad networks in the industry may find it accretive to acquire Kidoz, given its large user base, to increase their market share further. The large Video game makers may find Kidoz to benefit them strategically in creating a safer digital experience for kids. For instance, In the year 2020, Epic Games (creator of the popular video game "Fortnite") acquired "Superawesome" to leverage its kid tech infrastructure. The transaction amount paid for the deal is not disclosed publicly. Finally, Kidoz may be an attractive acquisition target for mature Media companies to stimulate their growth.

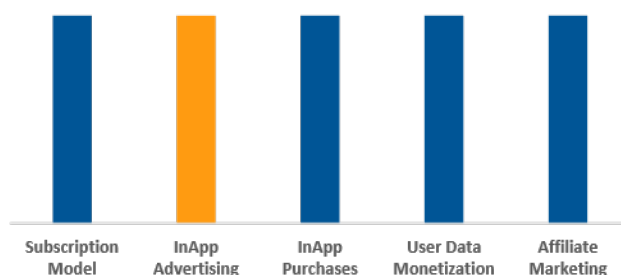
Company Overview

Kidoz (TSXV: KIDZ) is a contextual mobile advertising platform that provides a suite of advertising technology to enable brands to reach their target customers with complete brand safety. The company's advertising network complies with COPPA (Children's online privacy protection rule), GDPR (General data protection regulation), and other regulations adopted to protect the privacy and security of minors.

Business Model: How Kidoz enables mobile app developers to monetize

Monetization Strategies Deployed by Mobile App Developers: Mobile Application (App) developers rely on various strategies to monetize their apps. Few developers use a subscription model (paid version of the app or a premium version to use the app's advanced features) to commercialize their apps. In contrast, a significant portion of apps (more than 95% of android apps and more than 90% of apps available on the Apple app store) are free to use, and their developers need to rely on creative ways to generate revenue. In-app advertising, In-app purchases, User data monetization, and Affiliate marketing are some ways to monetize apps. The advertising model is the most used monetization strategy among them. In-app Advertising relies on various advertising formats such as Content discovery panels, Reward videos, Banners, and Interstitial videos.

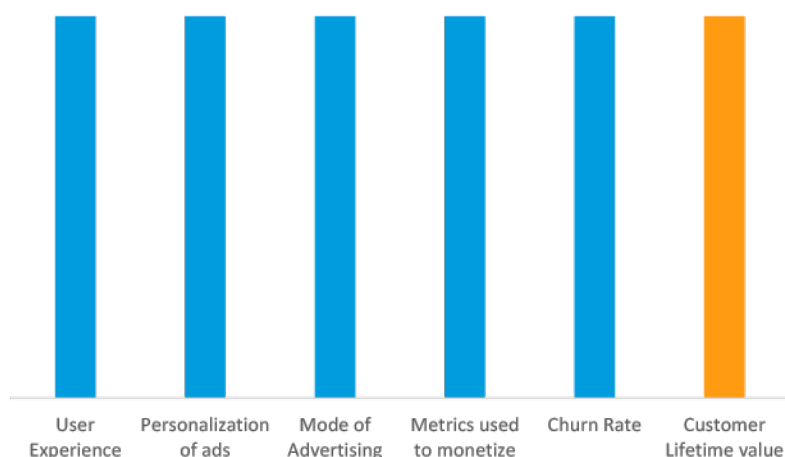
Figure 1. Few App Monetization Methods: In-app Advertising is the Most Common Way to Commercialize Mobile Applications



Source: Research Capital

Choosing the Right Mobile Ad Network to Monetize through In-app Advertising Model: Once an App developer (publisher) decides to pursue In-app advertising, the next step is to select the right mobile ad network suitable for their business. Several factors need to be considered while executing In-app advertising strategy. The app developers' goal is to maximize the app's value, depending on the number of customers and the average customer lifetime value. Although the number of advertisements served on the app may directly improve the revenue for app developers momentarily, it might evoke a poor user experience. The app users may be annoyed or distracted by too many ads. This may lead to a higher churn rate (loss of customers) and lower customer lifetime value over the long term. Therefore, app developers must strike the right balance between maximizing the value and optimal user experience. Mobile ad networks handle this job for app developers (publishers) while the app developers focus on their core competency to improve the app's overall utility to the app users.

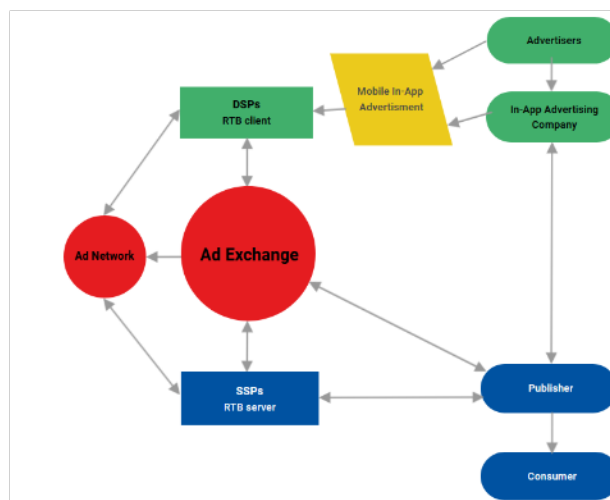
Figure 2. Few Factors (Trade-offs) for In-app Advertising Strategy; Goal is to Maximize the Customer Lifetime Value



Source: Research Capital

In-app Advertising Business Model: Mobile ad network platforms enable app developers to sell ad space and brands to place advertisements to reach their target customers. The stakeholders at the top of the chart (advertisers, demand side platforms, etc.) are on the buy side, which buys ad spaces. The stakeholders at the bottom (publishers or app developers, supply-side platforms, etc.) are on the sell side, which sells the ad spaces.

Figure 3. In-app Advertising Business Model



Source: BusinessofApps.com

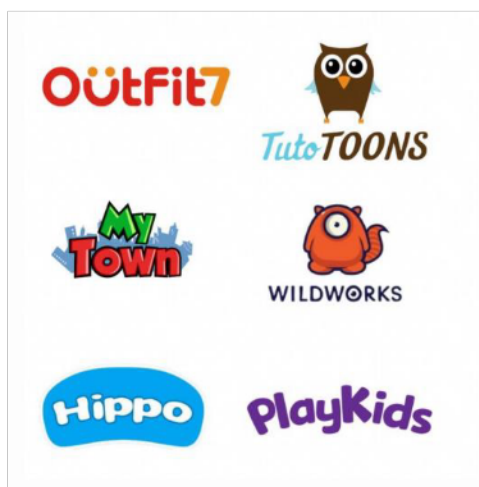
Figure 4. Formats of In-app Advertising

Formats of In-app Advertising	
Content Discovery Panel	Recommendation widgets at the bottom of the app that provide a short headline and link to the website
Interstitial Ads	Full screen ads that cover the interface of the app
Rewarded Videos	Incentivized advertising that rewards users for viewing an ad or a video
Banners	Display ads either static or animated shown along the corners

Source: Research Capital

How Kidoz Works: Kidoz is a mobile ad network platform primarily focused on apps catering to children. The mobile application developers install Kidoz SDK (Software Development Kit) into their apps before releasing them into the app stores. The Kidoz SDK enables it to access advertising impressions available for sale. Kidoz began with a core focus on children for its advertising audience, and now the company plans to expand to target teens and parents for its brand partners. The company generates revenue through two segments, Ad-tech advertising revenue, and Content revenue.

Figure 5. Select Publishers (Mobile Apps) with KIDOZ SDK



Source: Kidoz Presentation

Kidoz Ad-tech Advertising Revenue Model: The target customers for this segment include third-party advertisers, developers, and advertising aggregators. Kidoz delivers Ad-tech advertising through partner networks (publishers/developers) to the home screens of devices. Kidoz enters into customer contracts in the form of insertion orders that specify the metrics related to the agreement, such as Cost-per-Impression (CPM), Cost-per-Install (CPI), Cost per completed video view (CPC), and Cost-per-Action (CPA), etc. These contracts are usually short-term (less than a year) and last until the pre-decided budget amount is spent.

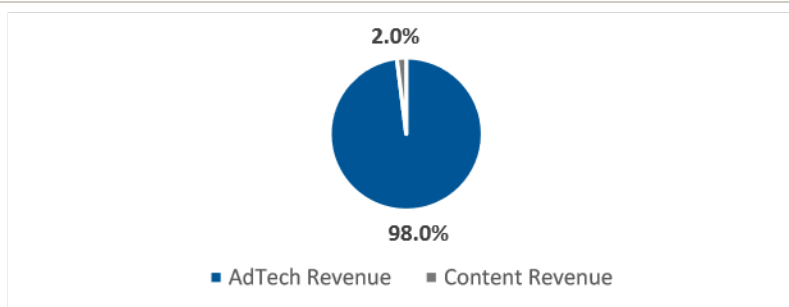
Figure 6. Select Brands (Advertisers) using KIDOZ SDK to Reach their Target Customers



Source: Kidoz Presentation

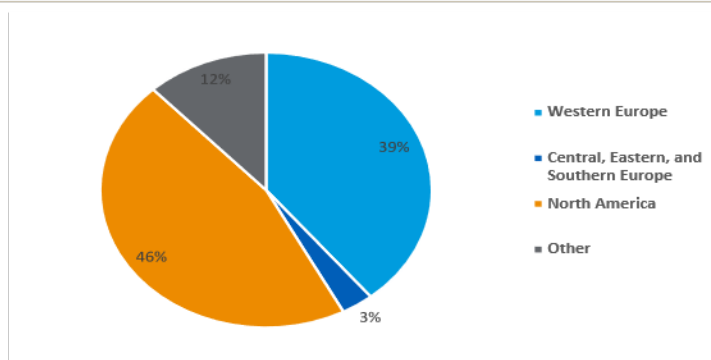
Kidoz Content Revenue Model: The target customers for this segment are OEMs (original equipment manufacturers). Kidoz generates a monthly or quarterly license fee per OEM agreement based on the number of devices on which the Kidoz kid mode is installed. In addition, Kidoz generates revenue through subscriptions to Rooplay, a cloud-based gaming system for kids to learn and play within its games on smartphones and tablet devices. The company also generates revenue by licensing its branded educational games and in-app purchases within its games.

Figure 7. Segment-wise Revenue Breakup



Source: Kidoz, Research Capital

Figure 8. Kidoz's Last Reported Revenue Breakup Based on Geography



Source: Kidoz, Research Capital

Growing In-App Advertising Market to drive ad-tech revenue for kidoz

Growing Addressable Market for Kidoz: Mobile ad network platforms (like Kidoz) charge a service fee or have a revenue-sharing agreement with the publishers. Therefore, the addressable market size for Kidoz is a portion of the total In-App advertising market. We expect the In-app advertising market size to increase consistently, driven by numerous factors. Firstly, the amount of time spent on mobile apps relative to browsers is rising. Secondly, based on historical data, In-app advertising results in a higher conversion rate of impressions for advertisers. In addition, In-app advertising can be more personalized and enables brands to target customers more accurately. Furthermore, it is observed that the percentage of users using ad blockers on apps is significantly lower than on browsers.

Figure 9. Estimated Size of In-App Advertising Market Based on Various Market Research Firms

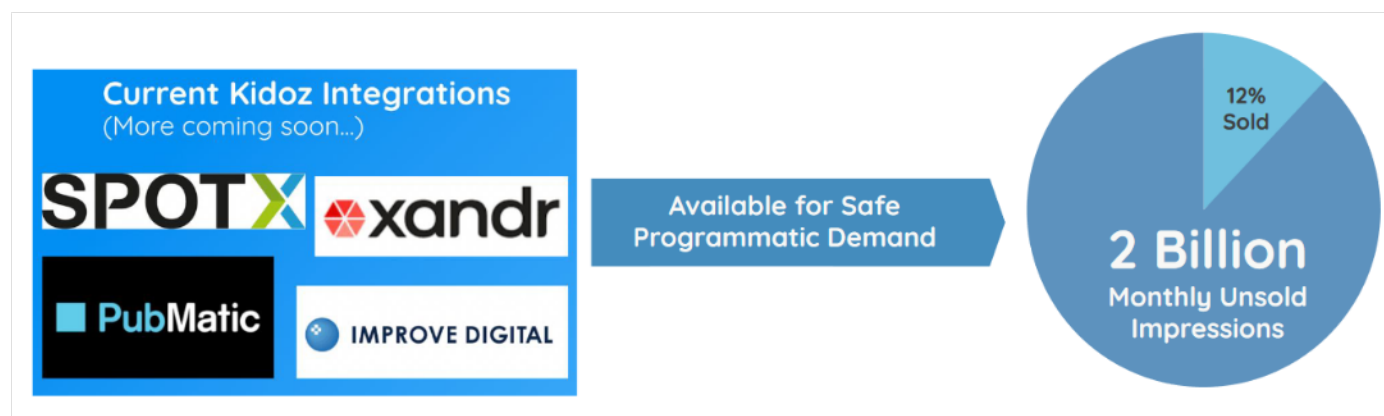
Market Research Firm	2022	2023	2024	2025	2026	2027	2028
Grandview Research	NA	NA	NA	226	NA	NA	NA
IMARC Group	NA	NA	NA	NA	NA	344	NA
DataIntel	NA	NA	NA	NA	226	NA	NA
Verifiedmarketresearch	NA	NA	NA	NA	NA	NA	545

Source: Estimates in USDbn, Various Independent Market Research Firms Mentioned in the Table

Programmatic Ad sourcing revenue stream to accelerate growth

Direct Media Sales by Kidoz Fills less than 15% of the Monthly Ad Slots: The primary revenue stream of Kidoz, AdTech revenue comprises direct media sales related to direct deals with advertisers and publishers. According to the company, Kidoz can fill less than 15% of the monthly ad slots presented via the Kidoz software development kit (SDK). Around 2 billion ad impressions are not sold each month. However, the company believes that its programmatic advertising platform (by integrating with DSPs, SSPs, and Ad exchanges) may enable it to increase the number of monthly ads that are filled by around 3 to 8 times.

Figure 10. Programmatic open ad sourcing to improve Kidoz monthly ads by 3 to 8 times



Source: Kidoz Investor Presentation

Mobile Ad Network Competitive Landscape

Over the last few decades, the advertising industry has rapidly evolved with several inflection points. First, the growing accessibility of the internet has resulted in digital advertising gaining market share from legacy print media. Then, the rapid growth in smartphone penetration resulted in mobile advertising taking a predominant share of the online advertising market. Now, we observe that the In-app advertising market is growing rapidly with the proliferation of various apps related to gaming, social media, fitness, etc. In addition, based on historical data, a greater amount of time is being spent by users on apps relative to that on browsers, and advertisers note that In-app advertising is relatively more effective in converting the advertising impressions into customers. Therefore, we believe that the In-app advertising market will continue to grow strongly over the next few years. Based on the estimates of a few market research firms, the current market size of the In-app advertising market is \$80-100bn, and it will increase to over \$200bn over the next 4-6 years, implying robust growth.

We note that a significant portion of the mobile ad network market is dominated by large players such as Google Ad Mob, Meta (formerly Facebook) Audience network, Unity Ads, and AppLovin. Several smaller players are focused on getting a tiny portion of the market. Unlike Kidoz, which is mainly focused on a niche segment (children-focused apps), we note that the majority of the players operating in this market are generic and cater to different (all) kinds of publishers and advertisers. Given the asset-light business model and relatively lower barriers to entry, we observe that several small players are entering the market to get a small slice of the large and growing addressable market.

Figure 11. Select List of Mobile Ad Network Platforms

Mobile Ad Network	Description
Google Admob	Owned by Google (GOOGL: NASDAQ)
Meta Audience Network	Owned by Meta (META: NASDAQ)
IronSource	IS: NYSE
Unity Software Inc	U: NYSE
AppLovin Corporation	APP: NASDAQGS
Smaato	Private
InMobi	Private
AdMaven	Private
RevX	Private
AdColony	Private
Appodeal	Private

Source: Research Capital, Recently Unity, and IronSource announced to merge in an all-stock deal valuing Ironsource at US\$4.4bn

Key Factors to Becoming a Successful Mobile Ad Network

Although several players can foray into the mobile ad networking space considering the asset-light nature of the business, we expect not all of them to be successful over the long term. Based on our research, we identified a few of the factors determining the success of a mobile ad network player over the long term.

Technology/User Experience: We believe the underlying technology to be critical in the success of any mobile ad network platform. The factors such as ease of getting started, integration of software development kit (SDK) with the app, support for different ad formats, and the ability for publishers to control ads/ad blockers may play a vital role in the adoption of a mobile ad network. The quality of customer support may also play an important role.

Reach of the Platform: The network effect will improve the value of a mobile ad network platform to users. For example, mobile ad networks with many monthly active users, broad reach across different geographical locations, and a large ad inventory may have high fill rates for their publishers and high return on ad spending for advertisers.

Transparency: The mobile ad networks with transparency in disclosing various metrics such as the number of ad impressions, views, fill rate, and metrics (CPM, CPA, CTR, etc.) may have a greater chance of success over the long term.

Compliance with Apple/Google Policies: The mobile app developers may get blocked from Google Play or Apple App store if the mobile ad network integrated with the app doesn't comply with the latest guidelines set by Google and Apple. Therefore, it is critical for mobile ad networks to update the software development kit (SDK) to the latest version based on changing regulatory policies. We note that currently, there are only 11 ad SDKs (KIDOZ is one among them) certified by Google to advertise to kids.

Kidoz Competitive Advantage

We expect Kidoz's competitive Advantage to be based on the company's substantial brand value and favorably evolving regulatory landscape to protect online privacy and safety for children.

Brand Value/Trust/Reach Gained over the Last Several Years: We believe that the key entry barrier for a new player to enter this industry is to gain credibility to partner with prominent brands and app developers. We view Kidoz's partnership with well-known brands (Figure 6), such as Legos and Disney, as a testimony of Kidoz's substantial brand value. Kidoz SDK is installed in more than 4000 apps worldwide with a monthly active user base of over 300 million. Installation of Kidoz SDK in prominent apps (Figure 5) such as Hippo and Play kids etc. demonstrates the company's track record in delivering results for publishers. Endorsements from platforms such as Google and Apple further boost our confidence in Kidoz's ability to comply with evolving regulatory amendments focused on the privacy and security of user data. Kidoz is among the 11 ad network SDKs certified by Google to advertise to kids. Based on our knowledge, Kidoz is the only company focused solely on kids.

Evolving Regulation to Protect the Online Privacy/Security of Children: Children's online privacy and security are currently protected by the Children's Online Privacy Protection Act ("COPPA"), passed in 1998. COPPA has a limited scope as it applies only to commercial websites/online services that specifically target kids and only protects the privacy of children under the age of 13. Recently, the California state senate approved the California Age-Appropriate Design Code Act ("ADCA"), which still needs to be signed by the governor to become state law, expected to be implemented on 1st January 2024. Based on anecdotal evidence from the past, we believe that other US states and international countries may adopt this regulation.

Figure 12. Key Differences between ADCA and COPPA

COPPA	ADCA
Current Regulation	Expected to be Implemented from 2024
Covers only commercial businesses specifically targeting kids	Covers all businesses (CPRA covered) likely to be accessed by kids
Any one until the age of 13 is a Kid	Anyone until the age of 17 is a kid

Source: Research Capital

The new bill ADCA is more extensive regarding businesses falling under its purview and end users (anyone under 18 is considered a kid, unlike COPPA's age limit of 13 to be considered a kid). ADCA will apply to all businesses covered under the California Privacy Rights Act and provide inline products, services, and features likely to be accessed by children (unlike COPPA's applicability to commercial websites/online services targeting kids). We view these regulatory amendments to be favorable to Kidoz as they may increase the company's addressable market by improving the adoption of Kidoz SDK.

Figure 13. Kidoz Sales Partnerships across the Globe



Source: Kidoz Investor Presentation

Financial Outlook: What is Factored in our Investment Thesis

Revenue Growth Outlook: AdTech revenue segment will be the key driver of topline for Kidoz. Currently, Direct media sales predominantly drive the sales. However, we expect programmatic ad sourcing revenue to play a more prominent role over the long term. As we mentioned earlier in the report, the current fill rate is below 15%, and Kidoz has a lot of unmet demand for its ad inventory. As the company leverages its programmatic ad sourcing platform, the fill rate will increase, leading to its revenue acceleration.

We adopt a cautious stance on the near-term revenue growth outlook for the company, given the macroeconomic risks related to the recession, inflationary pressures leading to higher interest rates, and depreciation of domestic currencies. Furthermore, there may be a decline in overall advertising demand driven by temporary cost-cutting efforts undertaken by some brands/advertisers to conserve cash. We stay below the company's net revenue guidance considering all the factors.

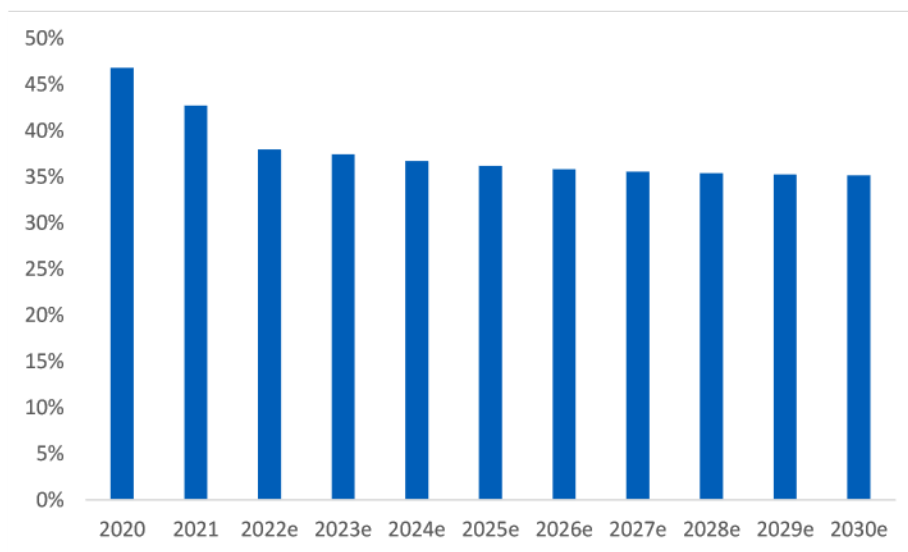
Figure 14. Company Guidance versus Our Estimate

	Research Capital Estimate	Company Guidance
2022e Revenue	14.9	16-18
2023e Revenue	18.4	35

Source: Research Capital, Company Guidance, Units in CAD mm

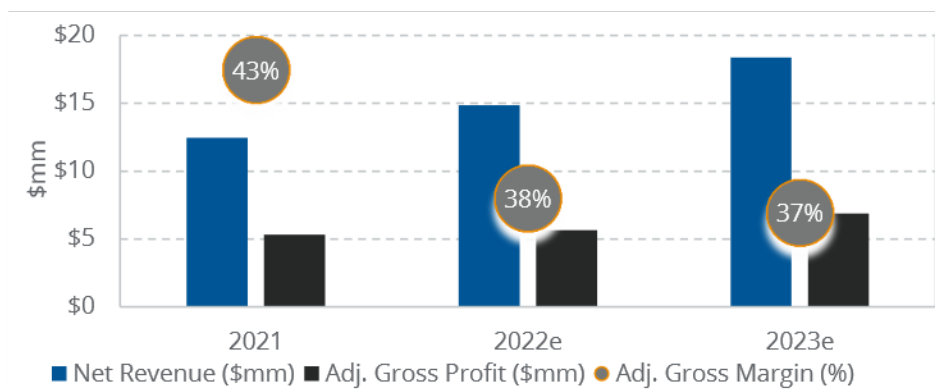
Profitability Outlook: We remain conservative while forecasting gross margin over the long term. We believe programmatic ad sourcing revenue will have a lower gross margin than direct media sales. As the portion of programmatic sales increases in the sales mix, the overall gross margin will trend downwards. However, we believe that a lower gross margin associated with the programmatic ad sourcing revenue stream will be offset by lower operating expenses, which will help the company maintain a steady operating margin over the long term.

Figure 15. Gross Margin Outlook



Source: Company Filings, Research Capital

Figure 16. Net Revenue and Gross Margin Outlook



Source: Research Capital

Valuation Methodology and Recommendation

We initiate Kidoz with a BUY rating and a 12-month forward Target Price of \$1.00/sh. Our Target Price is based on the DCF valuation methodology using a cost of capital (WACC) of 13.5% and a terminal growth rate of 2%. We use the 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 17. 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

Key Risks to our Investment Thesis and Target Price

Competition: The digital advertising market is highly fragmented and competitive. If the competitive pressure exceeds our expectations, it may negatively impact profitability.

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 modeling approach relies on assumptions and economic, statistical, mathematical, or financial theories and techniques and could differ from actual outcomes.

Technology Risk: If a new technology offers a significantly better value proposition to customers, the existing technology may become obsolete and impact the company's prospects.

Macroeconomic Risk: The economy of the company's key operating markets will impact customer growth. If the business conditions for the company's clients are not favorable, this may lead to lower-than-expected growth.

Management

T. M. Williams served as President, Chief Executive Officer and Chairman from August 2001 until June 2011 and from June 2011 till May 2022, Mr T. M. Williams served as Executive Chairman. From May 2022, Mr. T. M. Williams has served as the Chairman of the Company. Since 1984, Mr. Williams has served as a principal of T.M. Williams (ROW), Inc., a private consulting firm, and from 1993 until 2008, was Adjunct Professor, Sauder School of Business at the University of British Columbia. From 1988 to 1991, he was President and Chief Executive Officer of Distinctive Software, Inc. in Vancouver, BC, and, upon the acquisition of that company by Electronic Arts Inc., North America's largest developer of entertainment software, he became President and Chief Executive Officer of Electronic Arts (Canada) Inc., where he continued until 1993. From 1995 to 2012, Mr. T. M. Williams was a director of YM Biosciences, Inc., a biotechnology company, until its acquisition by Gilead Sciences, Inc. In addition, he is a director of several other private corporations.

Mr. J.M. Williams has been a director since July, 2007 and from June, 2011 to March, 2019, Mr. Williams served as the sole Chief Executive Officer of the Company. Since the acquisition of Kidz Ltd. in 2019 until May 2022, he served as Co- Chief Executive Officer. From May 2022, has served the sole Chief Executive Officer of the Company. Prior to his employment with Kidz Inc., he was a Business Analyst with Blue Zone Inc. (a technology company) and RBC Dominion Securities. Mr. J. M. Williams has a Bachelor of Commerce degree from the University of Victoria and a Masters of Business Administration degree, specializing in strategic marketing, from the University of Warwick. In addition, Mr. J. M. Williams is a Non-Executive Director of Adventurebox Technology AB (publ). Mr. J. M. Williams is the son of Mr. T. M. Williams, the Company's Executive Chairman.

Mr. E. Ben Tora served as Co-Chief Executive Officer from the acquisition by the Company of Kidz Ltd in March 2019 until May 2022. Since May 2022, Mr. E. Ben Tora has served as the President & General Manager EMEA. Mr. E. Ben Tora was a co-founder of Kidz Ltd. and has served as its Chief Executive Officer and Chief Revenue Officer since June 2013. Previously he served as General Manager and Chief Product officer at Bluesnap (formerly Plimus), which was acquired by Great Hill Partners in 2011. Mr. E. Ben Tora holds a bachelor's degree in management and communication from the College of management in Tel Aviv. Mr. E. Ben Tora is a serial entrepreneur and senior executive in venture-backed and public Internet companies, both early and growth stage, bringing extensive experience in operating and scaling tech companies.

Mr. H. W. Bromley has served as our Chief Financial Officer since July 2002. From 2000 to 2001, Mr. Bromley was a Director and the Group Financial Officer for Agrocere & Co. Ltd. From 1995 - 1999, he was an employee of Ernst & Young working in South Africa and in the United States of America. Mr. Bromley has in addition worked for CitiBank, Unilever PLC, Gerrard, Roadhouse Interactive Ltd. and CellStop Systems Inc. Mr. Bromley is a Chartered Accountant.

T. H. Williams is VP Product for Kidz, where he leads technology and product development. A highly experienced, creative leader who has dedicated his career to building products on the forefront of technology, Mr. T. H. Williams has led development on a wide variety of platform launches, new devices, and innovative business models, and has helped build and operate multiple successful

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studios and teams, including Electronic Arts Canada and Los Angeles, Relic Entertainment, Roadhouse Interactive, and Blueprint Reality. He is passionate about his teams, loves solving hard problems, and has produced over \$2 billion in retail product sales across his tenure.

Figure 18. Insider Holdings

Insider	Position	Current Stake in Kidoz (%)
Tarrnie Williams	Chairman	12.1%
Eldad Ben Tora	President & General Manager EMEA	4.1%
Jason Williams	CEO	1.0%
TJ Williams	VP Product	0.8%
Moshe David	Non Executive Director	0.7%
Henry Bromley	CFO	0.6%
Fiona Curtis	Non Executive Director	0.4%
Claes Kalborg	Non Executive Director	0.3%
Compass H.N.T Yazamut Ltd.	Non Executive Director ***	0.2%

Source: Research Capital

APPENDIX 1: FINANCIAL FORECAST

Figure 19: KIDOZ – Income Statement

Income Statement	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e
Revenue	12	15	18	24	30	38	47	57	69	82	97	113	131	150	172
Cost of goods sold	(7)	(9)	(11)	(15)	(19)	(24)	(30)	(37)	(44)	(53)	(63)	(73)	(85)	(98)	(111)
Gross Profit	5	6	7	9	11	14	17	20	24	29	34	40	46	53	60
Gross margin %	43%	38%	37%	37%	36%	36%	36%	35%	35%	35%	35%	35%	35%	35%	35%
EBITDA	1	0	2	4	6	9	12	15	18	23	27	32	37	43	49
Operating Income	-0	-0	1	3	6	8	11	14	18	22	26	31	36	42	48
Other income (expense)	0	-0	0	0	0	0	1	1	1	2	3	4	6	8	10
Pre-tax earnings	0	-0	1	3	6	8	12	15	19	24	29	35	42	50	58
Income tax expense	-0	-0	-1	-1	-2	-2	-3	-4	-5	-7	-8	-10	-11	-13	-16
Net Income (loss)	-0	-1	1	2	4	6	9	11	14	18	21	26	31	36	42

Source: Company reports and RCC

Figure 20: KIDOZ – Balance Sheet

Balance Sheet	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e
ASSETS															
Cash	2	3	4	7	11	16	24	34	47	63	82	106	134	166	205
Receivables	7	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Inventory	-	-	-	0	1	2	2	3	4	5	6	7	8	10	11
Other current assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current assets	9	7	8	11	15	22	30	41	55	72	92	117	146	180	220
Property, plant and equipment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Intangible assets	5	4	4	3	3	3	3	3	4	5	6	7	9	10	13
Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total assets	14	11	12	14	19	25	33	45	59	76	98	124	154	191	233
LIABILITIES															
Short term borrowings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	4	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Current liabilities	4	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Long-term liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	5	2	2	2	2	2	2	2	2	2	2	2	2	2	2
SHAREHOLDERS' EQUITY															
Share capital, reserves and others	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Retained Earnings	(41)	(41)	(41)	(38)	(34)	(28)	(19)	(8)	6	24	45	71	102	138	180
Total shareholders' equity	9	9	10	12	17	23	31	42	57	74	96	121	152	188	231
Total liabilities and equity	14	11	12	14	19	25	33	45	59	76	98	124	154	191	233

Source: Company reports and RCC

Figure 21: KIDOZ – Statement of Cash Flows

Statement of Cash Flows	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e
OPERATING															
Net income (loss)	0	(1)	1	2	4	6	9	11	14	18	21	26	31	36	42
Depreciation and amortization	1	1	1	1	0	0	0	0	0	1	1	1	1	1	1
Share-based compensation	1	0	0	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	0	0	0
Changes in non-cash working capital	(1)	0	0	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Operating cash flow	1	1	1	3	4	6	8	11	14	17	21	25	30	36	42
FINANCING															
Share issuance	0	0	0	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	0	0	0
Other	(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing cash flow	0	(0)	0	0	0	0	0	0	0	0	0	0	0	0	0
INVESTING															
Capital expenditures	(0)	(0)	0	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(2)	(2)	(3)	(3)	(4)
Other	0	(0)	0	0	0	0	0	0	0	0	0	0	0	0	0
Investing Cash Flow	(0)	(0)	0	(0)	(0)	(0)	(0)	(1)	(1)	(1)	(2)	(2)	(3)	(3)	(4)
Change in cash	1	1	1	2	4	6	8	10	13	16	19	23	28	33	39
Cash, beginning of period	1	2	3	4	7	11	16	24	34	47	63	82	106	134	166
Cash, end of period	2	3	4	7	11	16	24	34	47	63	82	106	134	166	205

Source: Company reports and RCC

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Company Description:

Kidoz (TSXV: KIDZ) is a contextual mobile advertising platform that provides a suite of advertising technology to enable brands to reach their target customers with complete brand safety. The company's advertising network complies with COPPA (Children's online privacy protection rule), GDPR (General data protection regulation), and other regulations adopted to protect the privacy and security of minors.

Risks:

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

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.

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FINANCIAL RISK: The company currently has limited revenue and cash flow and must rely on working capital to fund operations. If the company is unable to increase revenue as expected, the Company may need to source additional capital which may not be available when needed.

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