

**Kidoz Inc.**  
(TSXV: KIDZ / OTC: KDOZF)

**BUY**

**Current Price: C\$0.26**

**Fair Value: C\$0.75**

**Risk\*: 4**

**EPS Surprise: Expected Profitability Ahead of Schedule**

**Sector/Industry: Ad Tech**

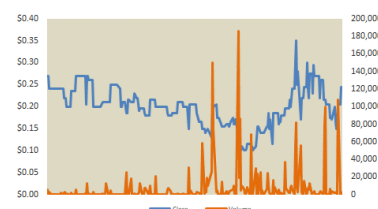
[Click here for more research on the company and to share your views](#)

**Highlights**

- **Q1 revenue was up 7% YoY**, but 11% below our estimate amid lower-than-expected ad spending. Major digital ad platforms, YouTube (NASDAQ: GOOGL), and Meta (NASDAQ: META), saw their ad revenue rise by 20% and 27% YoY, respectively.
- However, gross margins increased 13 pp YoY to 53%, primarily driven by higher direct vs reseller sales, beating our estimate by 11 pp. As a result, **EBITDA and EPS improved YoY, and significantly surpassed our expectations.**
- Since Q1 revenue typically represents only 10%-15% of the year's total, predicting the full-year revenue trend based on Q1 alone is challenging. **Q1 could potentially be an anomaly**, and we expect stronger revenue growth for the rest of the year given the anticipated growth in global digital ad spending.
- Per eMarketer, **global digital ad spending will grow** by 13.2% this year, up from 10.7% in 2023, and 9.1% in 2022. From 2021 to 2023, KIDZ's revenue growth outpaced global digital ad spending growth by 1.3x on average.
- While we have revised our 2024 revenue growth forecast downward (16% to 13%), **we now anticipate EPS turning positive this year**, instead of next year.
- KIDZ maintains a healthy balance sheet, with no debt.
- KIDZ's forward EV/R is 1.6x vs the sector average of 3.3x, **a 50% discount.**

**Sid Rajeev, B.Tech, CFA, MBA**  
Head of Research

**KIDZ Price and Volume (1-year)**



	YTD	12M
KIDZ	24%	-4%
TSXV	9%	-2%

**Company Data**

52-Week Range	C\$0.10 - C\$0.36
Shares O/S	131M
Market Cap.	C\$34M
Current Yield	N/A
P/E (forward)	N/A
P/B	5.2x

**Key Financial Data (FYE - Dec 31)**  
(US\$)

	2023	2024E	2025E
Cash	1,469,224	2,096,387	2,987,313
Working Capital	3,220,646	4,023,712	5,108,130
Total Assets	11,807,080	12,611,600	13,729,547
LT Debt to Capital	0.0%	0.0%	0.0%
Revenue	13,326,824	15,039,000	17,250,000
Net Income	(2,012,056)	344,003	611,378
EPS	-0.02	0.00	0.00

\*See last page for important disclosures, rating, and risk definitions. All figures in US\$ unless otherwise specified.

## Financials

Q1 revenue was up 7% YoY, missing our forecast by 11%

Revenue	Q1-2022	Q1-2023	Q1-2024	YoY
Western Europe	\$662,606	\$582,422	\$631,946	9%
Central, Eastern, Southern Europe	\$54,205	\$63,264	\$90,397	43%
North America	\$1,082,289	\$832,701	\$984,806	18%
Others	\$488,371	\$195,299	\$85,922	-56%
<b>Total</b>	<b>\$2,287,471</b>	<b>\$1,673,686</b>	<b>\$1,793,071</b>	<b>7%</b>

However, gross margins increased 13 pp YoY to 53%, beating our estimate by 11 pp

Margins	Q1-2021	Q1-2022	Q1-2023	Q1-2024	Sector (Advertising)
Gross	44.0%	36.3%	40.0%	53.3%	26.4%
EBITDA	-4.7%	-18.0%	-48.9%	-28.5%	6.8%
EBIT	-19.8%	-31.5%	-64.5%	-38.7%	4.4%
Net	-22.3%	-32.0%	-63.7%	-40.1%	-0.2%

G&A expenses were down 5% YoY, falling 8% below our estimate, primarily from slashing consultant fees

Expenses / Sales	Q1-2021	Q1-2022	Q1-2023	Q1-2024
Selling & Marketing	8.3%	7.9%	19.6%	18.3%
Development	21.6%	22.6%	44.5%	49.6%
Stock Based Compensation	4.9%	9.2%	10.1%	3.8%
Salaries	8.6%	12.2%	10.1%	3.0%
G & A	10.1%	9.4%	11.4%	11.0%
<b>Total</b>	<b>53.6%</b>	<b>61.3%</b>	<b>95.6%</b>	<b>85.6%</b>

EBITDA and EPS remained negative

Operating Summary	Q1-2021	Q1-2022	Q1-2023	Q1-2024	YoY
Revenue	\$1,557,942	\$2,287,471	\$1,673,685	\$1,793,071	7%
Gross Profit	\$685,041	\$830,895	\$669,969	\$956,397	43%
Selling & Marketing	\$128,688	\$180,014	\$327,522	\$327,522	0%
G&A	\$706,251	\$1,223,061	\$1,273,075	\$1,207,599	-5%
EBITDA	-\$72,877	-\$412,182	-\$818,654	-\$510,475	-38%
EBITDA (excl. development costs)	\$264,416	\$104,457	-\$74,321	\$378,965	-610%
Net Loss	-\$347,044	-\$731,042	-\$1,066,612	-\$719,583	-33%
EPS	-\$0.00	-\$0.01	-\$0.01	-\$0.01	

However, as a result of higher gross margins, and lower G&A expenses, EBITDA and EPS improved significantly, surpassing our estimates

Summary of Cash Flows	Q1-2021	Q1-2022	Q1-2023	Q1-2024
Cash Flows from Operations	393,060	15,881	(46,996)	(599,096)
Cash Flows from Investing	(2,265)	(6,979)	(1,496)	12,457
Cash Flows from Financing	(5,248)	(7,039)	(10,281)	(7,604)
Net Change	385,547	1,863	(58,773)	(594,243)
<b>Free Cash Flows</b>	<b>390,795</b>	<b>8,902</b>	<b>(48,492)</b>	<b>(586,639)</b>

Source: FRC/Company

Healthy balance sheet, with no debt

Liquidity Analysis	2021	2022	2023	Q1-2024	Sector (Advertising)
Cash	\$2,078,607	\$2,363,530	\$1,469,224	\$874,981	
Working Capital	\$4,536,851	\$4,147,176	\$3,220,646	\$2,698,684	
Current Ratio	2.06	1.73	1.70	2.20	1.50
Debt / Capital	0.5%	0.5%	0.0%	0.0%	23.3%
LT Debt / Capital	0.5%	0.0%	0.0%	0.0%	14.3%
EBIT Interest Coverage Ratio	n/a	n/a	n/a	n/a	6.2

No outstanding options are in-the-money

C\$	# Options	Strike Price	Value
<b>Total Outstanding</b>	<b>8,066,000</b>	<b>\$0.51</b>	<b>\$4,122,600</b>
<b>In-the-Money</b>	-	-	-

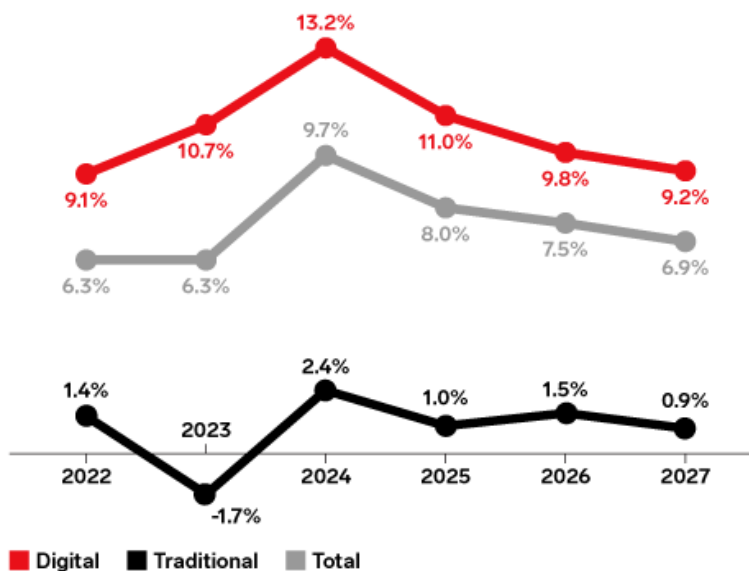
	Warrants	Strike Price	Value
<b>Total Outstanding</b>	-	-	-
<b>In-the-Money</b>	-	-	-

Source: FRC/Company

## Sector Outlook

### Ad Spending Growth for Digital, Traditional, and Total Worldwide, 2022-2027

% change



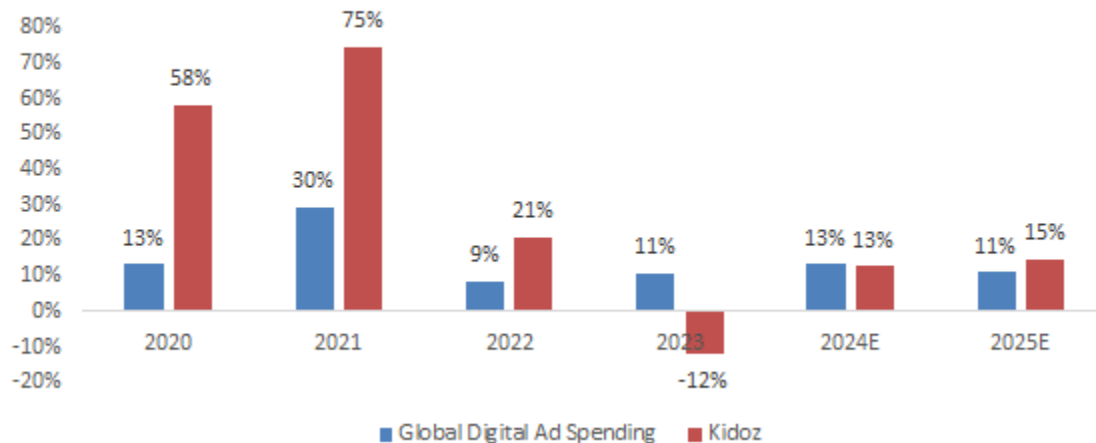
Source: eMarketer

It is estimated that global digital ad spending will grow 13.2% this year, up from 10.7% in 2023, and 9.1% in 2022

From 2021 to 2023, KIDZ's revenue growth outpaced global digital ad spending growth by 1.3x on average

For conservatism, we anticipate KIDZ's revenue will grow by 13% in 2024, and 15% in 2025, outpacing global digital ad spending growth forecasts by 1.2x

Global Digital Ad Spending vs Kidoz' Revenue (YoY Growth)



Source: FRC / Various

## FRC Projections and Valuation

As Q1 gross margins were higher than expected, we are raising our 2024 and 2025 EPS forecasts

FRC Forecasts	2024E (Old)	2024E (New)	2025E (Old)	2025E (New)
Revenue	\$16,875,000	\$15,039,000	\$20,812,500	\$17,250,000
EBITDA	-\$515,873	\$963,773	\$1,104,914	\$1,292,309
Net Profit (Loss)	-\$951,212	\$344,003	\$413,638	\$611,378
EPS	-\$0.01	\$0.00	\$0.00	\$0.00

We now expect EPS to turn positive this year instead of next year

DCF Valuation	2024E	2025E	2026E	2030E	Terminal
Funds Flow from Operations (US\$)	1,437,486	1,184,418	2,946,488	10,493,287	
Change in Working Capital (US\$)	(111,227)	(193,493)	(212,842)	(311,622)	
Cash from Operations (US\$)	1,326,259	990,925	2,733,646	10,181,664	
CAPEX (US\$)	(20,994)	(100,000)	(100,000)	(100,000)	
Free Cash Flow (US\$)	1,305,265	890,925	2,633,646	10,081,664	
Present Value (US\$)	1,267,391	768,955	2,020,525	4,828,686	74,541,848
Discount Rate	12.5%				
Terminal Growth	3.0%				
Present Value (US\$)	\$94,299,928				
Cash - Debt (US\$)	\$874,981				
Fair Value (US\$)	\$95,174,909				
Shares O/S	131,304,499				
<b>Value per Share (C\$)</b>	<b>\$0.98</b>				

Source: FRC

As a result, our DCF valuation increased from C\$0.94 to C\$0.98/share

**Digital AdTech Companies**

Company	2023 Revenue Growth	2024 Revenue Growth Forecast	EV/R (forward)
Viant Technology Inc.	13%	15%	0.67
Kidoz Inc.	-12%	13%	1.62
Omnicom Group Inc.	3%	4%	1.44
The Interpublic Group of Companies	-1%	1%	1.53
Criteo SA	-3%	5%	1.80
LiveRamp Holdings Inc.	8%	9%	2.41
Integral Ad Science Holding Corp.	16%	12%	2.86
PubMatic Inc.	4%	11%	3.01
Magnite Inc.	7%	10%	3.54
Alphabet Inc.	9%	12%	5.97
AppLovin Corp.	17%	25%	6.93
META Platforms Inc.	16%	18%	7.50
The Trade Desk Inc.	23%	23%	18.37
<b>Average (excl. outliers)</b>	<b>8%</b>	<b>12%</b>	<b>3.27</b>

Source: S&P Capital IQ / FRC

KIDZ's forward EV/R of 1.6x (previously 1.2x) is significantly lower than the sector average of 3.3x (previously 3.0x)

Our comparables valuation decreased from C\$0.54 to C\$0.52/share, driven by our lower revenue estimate, partially offset by the higher average sector EV/R

We are **maintaining our BUY rating**, and adjusting our fair value estimate from C\$0.74 to C\$0.75/ share (the average of our DCF and comparables valuations). While Q1 revenue fell short of expectations, **we remain positive on the stock**, given our robust outlook on the sector, and the potential turnaround to profitability this year.

**Risks**

We believe the company is exposed to the following key risks:

- Operates in a highly competitive space
- Unfavorable changes in regulations
- **Ability to attract publishers and brands will be key to long-term growth**
- FOREX

Maintaining our risk rating of 4 (Speculative)

## Appendix

<b>INCOME STATEMENT</b>				
(in US\$) - YE Dec 31st	2022	2023	2024E	2025E
<b>Total Revenue</b>	<b>15,097,056</b>	<b>13,326,824</b>	<b>15,039,000</b>	<b>17,250,000</b>
Cost of Sales	9,973,211	8,392,767	7,820,280	9,487,500
<b>Gross Profit</b>	<b>5,123,845</b>	<b>4,934,057</b>	<b>7,218,720</b>	<b>7,762,500</b>
<b>Expenses</b>				
Selling & Marketing	1,039,713	1,268,218	1,278,315	1,207,500
Development	2,496,877	2,999,079	3,149,033	3,227,759
Stock Awareness Program	161,332	146,300	109,725	164,588
Stock Based Compensation	696,248	515,116	386,337	405,654
Compensation	760,781	713,335	535,001	588,501
G & A	760,936	758,606	796,536	876,190
<b>EBITDA</b>	<b>-792,042</b>	<b>-1,466,597</b>	<b>963,773</b>	<b>1,292,309</b>
Amortization & Depreciation	586,202	588,488	559,064	573,040
<b>EBIT</b>	<b>-1,378,244</b>	<b>-2,055,085</b>	<b>404,709</b>	<b>719,268</b>
Interest & Bank Charges	185	1,049	-	-
Exchange Rate and Unusual Items	(119,543)	16,002	-	-
<b>EBT</b>	<b>-1,497,602</b>	<b>-2,038,034</b>	<b>404,709</b>	<b>719,268</b>
Income Taxes	-150,489	-25,978	60,706	107,890
<b>Net Earnings for the period</b>	<b>-1,347,113</b>	<b>-2,012,056</b>	<b>344,003</b>	<b>611,378</b>
EPS	-0.01	-0.02	0.00	0.00
<b>BALANCE SHEET</b>				
(in US\$)- YE Dec 31st	2022	2023	2024E	2025E
<b>Assets</b>				
Cash	2,363,530	1,469,224	2,096,387	2,987,313
Accounts receivable	7,400,282	6,261,305	6,887,436	7,576,179
Prepaid expenses	71,248	102,895	113,185	124,503
<b>Current Assets</b>	<b>9,835,060</b>	<b>7,833,424</b>	<b>9,097,007</b>	<b>10,687,995</b>
Property and equipment	33,522	29,234	29,234	29,234
Goodwill, intangible assets, and other	4,518,501	3,944,422	3,485,358	3,012,318
<b>Total Assets</b>	<b>14,387,083</b>	<b>11,807,080</b>	<b>12,611,600</b>	<b>13,729,547</b>
<b>Liabilities &amp; Shareholders' Equity</b>				
Accounts payables & accrued liabilities	5,611,421	4,605,173	5,065,690	5,572,259
Derivative	51	-	-	-
Lease	32,116	7,605	7,605	7,605
Loans payable/ borrowings	44,296	-	-	-
<b>Current Liabilities</b>	<b>5,687,884</b>	<b>4,612,778</b>	<b>5,073,295</b>	<b>5,579,864</b>
Lease	7,440	-	-	-
<b>Shareholder's Equity</b>				
Share Capital	50,653,094	51,167,693	51,167,693	51,167,693
Foreign Currency Translation	24,580	24,580	24,580	24,580
Deficit	(41,985,915)	(43,997,971)	(43,653,968)	(43,042,590)
<b>Total Liabilities &amp; SE</b>	<b>14,387,083</b>	<b>11,807,080</b>	<b>12,611,600</b>	<b>13,729,547</b>

<b>STATEMENTS OF CASH FLOWS</b>		
<b>(in US\$)- YE Dec 31st</b>	<b>2024E</b>	<b>2025E</b>
<b>Operating Activities</b>		
Net earnings for the period	344,003	611,378
<b>Items not involving cash</b>		
Depreciation	559,064	573,040
	<b>903,066</b>	<b>1,184,418</b>
Accounts Receivable	(626,131)	(688,744)
Prepaid Expenses	(10,290)	(11,318)
Accounts payable and accrued expenses	460,517	506,569
<b>Changes in working capital</b>	<b>(175,903)</b>	<b>(193,493)</b>
<b>Cash from (used in) operations</b>	<b>727,163</b>	<b>990,925</b>
<b>Financing activities</b>		
Proceeds from secured borrowings, net	-	-
Equity	-	-
Payment on operating lease liabilities	-	-
<b>Cash provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>Investing activities</b>		
Acquisition of equipment/subsidiary	(100,000)	(100,000)
Security deposits	-	-
<b>Cash used in investing activities</b>	<b>(100,000)</b>	<b>(100,000)</b>

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk.

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

**Disclaimers and Disclosure**

The opinions expressed in this report are the true opinions of the analyst about this company and industry. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" does not own any shares of the subject company, does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees were paid by KIDZ to FRC. The purpose of the fee is to subsidize the high costs of research and monitoring. FRC takes steps to ensure independence including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. To further ensure independence, KIDZ has agreed to a minimum coverage term including four updates. Coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time.

The distribution of FRC's ratings are as follows: BUY (67%), HOLD (3%), SELL / SUSPEND (30%).

To subscribe for real-time access to research, visit <https://www.researchfrc.com/website/subscribe/> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward-looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.