

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

**BUY**  
**Current Price: C\$0.12**  
**Fair Value: C\$0.58**  
**Risk\*: 4**

**Efficiency Outweighs Revenue Headwinds**

**Sector/Industry: Ad Tech**

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

**Highlights**

- **Q3 revenue fell 19% YoY**, missing our estimate by 9% due to lower-than-expected ad spending by its clients. Despite lower revenue, **EPS improved YoY**, driven by higher gross margins, and lower G&A expenses.
- In Q3, major digital ad platforms experienced slower YoY spending growth relative to the first half of the year, primarily driven by economic uncertainty, and stricter data privacy laws. For instance, **YouTube** (NASDAQ: GOOGL) and **Meta** (NASDAQ: META) saw their ad revenue growth slow to 12% and 19% YoY, respectively, down from 17% and 23% in H1.
- We anticipate global ad **spending growth to rise in the coming quarters** amid cooling inflation, and central bank rate cuts.
- We believe KIDZ is poised to benefit from the stricter ad regulations imposed by the recently introduced U.S. COPPA 2.0 regulations. By expanding privacy protections to teens, and imposing tighter controls on data handling and targeted ads, we believe **COPPA 2.0 creates a more complex landscape for advertisers**. As a result, advertisers will likely turn to companies like KIDZ that specialize in kid-friendly advertising.
- In 2025, one of the company's key priorities will be **promoting its newly launched ad platform, Prado**, aimed at teens and parents, to broaden its target audience.
- Management anticipates **a significant revenue rebound in Q4**, historically accounting for 45%-50% of annual revenue.
- KIDZ's forward EV/R is 0.9x vs the sector average of 3.03x, **a 72% discount**. As Q3 revenue came in below expectations, we are revising our 2024 and 2025 EPS estimates downward. We anticipate EPS will turn positive in 2025, **while management expects they may be able to break even this year**.

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

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



	YTD	12M
KIDZ	-43%	-40%
TSXV	8%	14%

**Company Data**

52-Week Range	C\$0.10 - C\$0.36
Shares O/S	131M
Market Cap.	C\$16M
Current Yield	N/A
P/E (forward)	N/A
P/B	2.6x

**Key Financial Data (FYE - Dec 31)**

(US\$)	2023	2024E	2025E
Cash	1,469,224	1,031,584	1,037,073
Working Capital	3,220,646	2,958,909	3,157,891
Total Assets	11,807,080	11,779,271	12,301,318
LT Debt to Capital	0.0%	0.0%	0.0%
Revenue	13,326,824	12,625,000	14,392,500
Net Income	(2,012,056)	(488,327)	15,478
EPS	-0.015	-0.004	0.000

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

## Financials

Revenue	H1-2023	H1-2024	YoY	Q3-2023	Q3-2024	YoY	2023 (9M)	2024 (9M)	YoY
Western Europe	\$1,608,025	\$1,883,343	17%	\$992,740	\$884,900	-11%	\$2,600,765	\$2,768,243	6%
Rest of Europe	\$130,782	\$210,060	61%	\$76,577	\$115,753	51%	\$207,359	\$325,813	57%
North America	\$2,392,465	\$2,032,125	-15%	\$1,617,720	\$1,245,940	-23%	\$4,010,185	\$3,278,065	-18%
Others	\$356,653	\$146,718	-59%	\$121,317	\$41,183	-66%	\$477,970	\$187,901	-61%
<b>Total</b>	<b>\$4,487,925</b>	<b>\$4,272,246</b>	<b>-5%</b>	<b>\$2,808,354</b>	<b>\$2,287,776</b>	<b>-19%</b>	<b>\$7,296,279</b>	<b>\$6,560,022</b>	<b>-10%</b>

Q3 revenue was down 19% YoY (Q2: down 12% YoY), missing our forecast by 9%

However, gross margins increased 15 pp YoY to 53%, driven by higher direct vs reseller sales, and streamlined campaign execution, beating our estimate by 2 pp

G&A expenses were up 1% YoY, and in line with our estimate

As a result of higher gross margins, and lower G&A expenses, EBITDA and EPS improved, despite remaining negative

Healthy balance sheet, with no debt

No outstanding options are in-the-money

Margins	Q3-2022	Q3-2023	Q3-2024	2022-9M	2023-9M	2024-9M	Sector (Advertising)
Gross	35.68%	37.52%	52.83%	36.76%	40.61%	51.98%	30.0%
EBITDA	2.78%	-11.40%	-11.36%	-6.32%	-17.14%	-15.28%	8.2%
EBIT	-6.81%	-22.51%	-17.92%	-19.20%	-30.41%	-22.64%	5.4%
Net	-8.93%	-27.22%	-17.76%	-21.24%	-32.08%	-23.04%	1.10%

Expenses / Sales	Q3-2022	Q3-2023	Q3-2024	2022-9M	2023-9M	2024-9M
Selling & Marketing	6.3%	11.1%	14.5%	7.9%	13.0%	14.7%
Development	17.4%	25.6%	35.4%	21.3%	30.4%	38.4%
Stock Based Compensation	5.2%	4.8%	4.6%	6.3%	5.3%	4.2%
Salaries	4.0%	6.0%	7.7%	6.9%	7.3%	6.4%
G & A	5.4%	7.2%	6.6%	8.3%	9.0%	7.8%
<b>Total</b>	<b>38.3%</b>	<b>54.8%</b>	<b>68.8%</b>	<b>50.7%</b>	<b>65.0%</b>	<b>71.5%</b>

Operating Summary	Q3-2022	Q3-2023	Q3-2024	YoY	2022-9M	2023-9M	2024-9M	YoY
Revenue	\$3,514,149	\$2,808,354	\$2,287,776	-19%	\$8,315,233	\$7,296,278	\$6,560,022	-10%
Gross Profit	\$1,253,907	\$1,053,814	\$1,208,564	15%	\$3,056,767	\$2,963,363	\$3,410,142	15%
Selling & Marketing	\$222,379	\$312,791	\$330,798	6%	\$654,181	\$946,874	\$965,067	2%
G&A	\$1,124,972	\$1,226,671	\$1,242,460	1%	\$3,559,784	\$3,793,409	\$3,724,974	-2%
EBITDA (excl. SBC)	\$97,621	-\$320,214	-\$259,916	-19%	-\$525,783	-\$1,250,428	-\$1,002,551	-20%
EBITDA (excl. development costs)	\$710,817	\$399,861	\$551,017	38%	\$1,248,106	\$969,377	\$1,515,778	56%
Net Loss	-\$313,774	-\$764,337	-\$406,284	-47%	-\$1,766,493	-\$2,340,365	-\$1,511,517	-35%
EPS	-\$0.00	-\$0.01	-\$0.00		-\$0.01	-\$0.02	-\$0.01	

Summary of Cash Flows	2022 (9M)	2023 (9M)	2024 (9M)
Cash Flows from Operations	-\$207,798	-\$860,629	-\$1,035,900
Cash Flows from Investing	-\$12,991	-\$8,714	\$16,880
Cash Flows from Financing	-\$27,556	-\$25,232	-\$7,605
Net Change	-\$248,345	-\$894,575	-\$1,026,625
<b>Free Cash Flows</b>	<b>-\$220,789</b>	<b>-\$869,343</b>	<b>-\$1,019,020</b>

Liquidity Analysis	2022	2023	Q1-2024	Q2-2024	Q3-2024	Sector (Advertising)
Cash	\$2,363,530	\$1,469,224	\$874,981	\$729,829	\$442,599	
Working Capital	\$4,147,176	\$3,220,646	\$2,698,684	\$2,461,257	\$2,210,867	
Current Ratio	1.73	1.70	2.20	2.39	2.29	1.60
Debt / Capital	0.5%	0.0%	0.0%	0.0%	0.0%	26.0%
LT Debt / Capital	0.0%	0.0%	0.0%	0.0%	0.0%	18.3%
EBIT Interest Coverage Ratio	n/a	n/a	n/a	n/a	n/a	6.8

C\$	Options	Strike Price	Value
Total Outstanding	10,359,750	\$0.44	\$4,581,350
<b>In-the-Money</b>	-	-	-

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

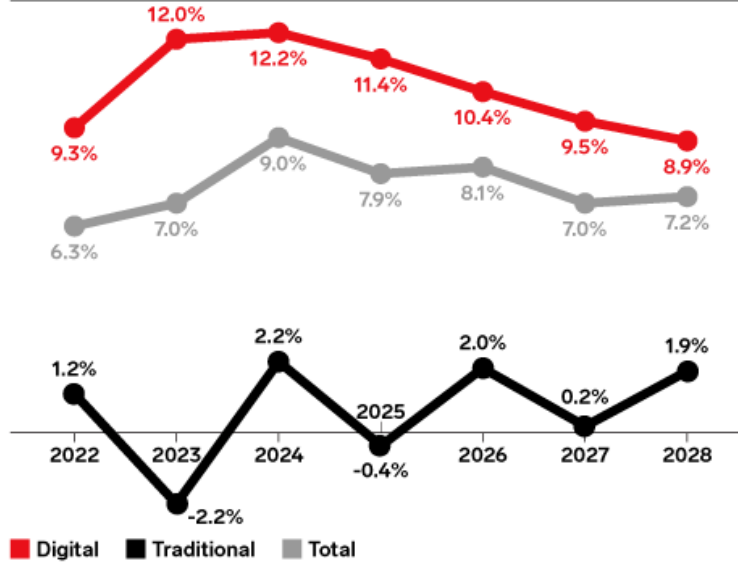
Source: FRC/Company

## Sector Outlook

It is estimated that global digital ad spending will grow 12.2% this year, compared to 12.0% in 2023, and 9.3% in 2022

### Ad Spending Growth for Digital, Traditional, and Total Media Worldwide, 2022-2028

% change



Note: digital ad spending includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; traditional media ad spending includes magazines, newspapers, out-of-home, radio, and TV  
Source: EMARKETER Forecast, March 2024

285726

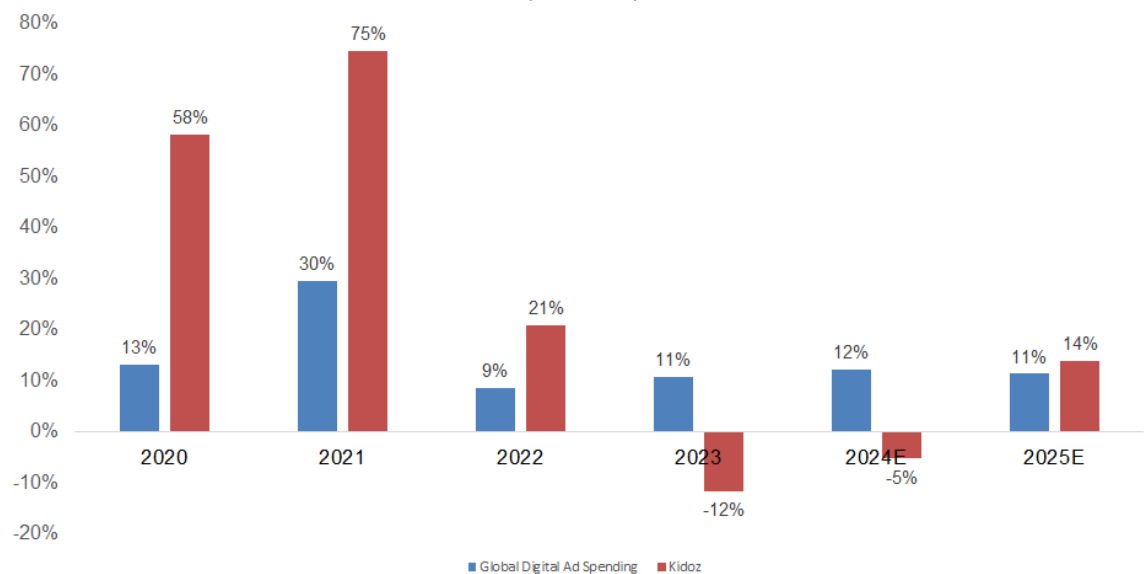


Source: eMarketer

## FRC Projections and Valuation

Historically, we estimate that KIDZ's revenue growth outpaced global digital ad spending growth by 1.3x on average

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



Source: FRC / Various

As Q3 revenue was lower than expected, we are lowering our revenue and EPS forecasts

We anticipate profitability next year, with management confident about achieving it this year

As a result, our DCF valuation decreased from C\$0.83 to C\$0.75/share

FRC Forecasts	2024E (Old)	2024E (New)	2025E (Old)	2025E (New)
Revenue	\$13,500,000	\$12,625,000	\$15,750,000	\$14,392,500
EBITDA	\$505,505	\$88,425	\$1,211,915	\$707,368
Net Profit (Loss)	-\$139,395	-\$488,327	\$441,353	\$15,478
EPS	-\$0.001	-\$0.004	\$0.001	\$0.000

DCF Valuation	2024E	2025E	2026E	2030E	Terminal
Funds Flow from Operations (US\$)	814,922	298,982	1,543,148	7,752,955	
Change in Working Capital (US\$)	(166,662)	(193,493)	(212,842)	(311,622)	
Cash from Operations (US\$)	648,260	105,489	1,330,305	7,441,332	
CAPEX (US\$)	(43,870)	(100,000)	(100,000)	(100,000)	
Free Cash Flow (US\$)	604,390	5,489	1,230,305	7,341,332	
Present Value (US\$)	604,390	5,025	1,001,143	3,729,476	57,573,027
Discount Rate	12.5%				
Terminal Growth	3.0%				
Present Value (US\$)	\$70,123,461				
Cash - Debt (US\$)	\$442,599				
Fair Value (US\$)	\$70,566,060				
Shares O/S	131,304,499				
<b>Value per Share (C\$)</b>	<b>\$0.75</b>				

Source: FRC

### Digital AdTech Companies

KIDZ is the most undervalued stock on our list of comparables

KIDZ's forward EV/R of 0.9x (unchanged) is significantly lower than the sector average of 3.0x (previously 3.3x)

Our comparables valuation decreased from C\$0.46 to C\$0.41/share, driven by our lower revenue estimate

Company	2023 Revenue Growth	2024 Revenue Growth Forecast	EV/R (forward)
AppLovin Corp.	17%	40%	24.11
The Trade Desk Inc.	23%	27%	23.34
META Platforms Inc.	16%	21%	8.57
Alphabet Inc.	9%	14%	6.23
Magnite Inc.	7%	11%	4.12
Integral Ad Science Holding Corp.	16%	11%	3.35
PubMatic Inc.	4%	10%	2.16
LiveRamp Holdings Inc.	11%	11%	2.11
Criteo SA	-3%	9%	1.81
Omnicom Group Inc.	3%	7%	1.55
The Interpublic Group of Companies	-1%	-1%	1.41
Viant Technology Inc.	13%	27%	1.14
Kidoz Inc.	-12%	-5%	0.86
<b>Average (excl. outliers)</b>	<b>8%</b>	<b>14%</b>	<b>3.03</b>

Source: S&P Capital IQ / FRC

We are maintaining our BUY rating, and **adjusting our fair value estimate from C\$0.65 to C\$0.58/share** (the average of our DCF and comparables valuations).

While Q3 results were disappointing, prompting us to lower our fair value estimate, KIDZ's strong positioning in the kid-friendly advertising market, management's solid guidance for Q4, the potential benefits of COPPA 2.0, and the anticipated push for Prado lead us to expect multiple near-term catalysts for the stock.

## Risks

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

*Maintaining our risk  
rating of 4  
(Speculative)*

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

## Appendix

<b>INCOME STATEMENT</b>				
<b>(in US\$) - YE Dec 31st</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
<b>Total Revenue</b>	<b>15,097,056</b>	<b>13,326,824</b>	<b>12,625,000</b>	<b>14,392,500</b>
Cost of Sales	9,973,211	8,392,767	6,438,750	7,340,175
<b>Gross Profit</b>	<b>5,123,845</b>	<b>4,934,057</b>	<b>6,186,250</b>	<b>7,052,325</b>
<b>Expenses</b>				
Selling & Marketing	1,039,713	1,268,218	1,357,188	1,367,288
Development	2,496,877	2,999,079	3,418,950	3,589,898
Stock Awareness Program	161,332	146,300	-	-
Stock Based Compensation	696,248	515,116	386,337	405,654
Compensation	760,781	713,335	570,668	599,201
G & A	760,936	758,606	751,020	788,571
<b>EBITDA (excl. SBC)</b>	<b>-95,794</b>	<b>-951,481</b>	<b>88,425</b>	<b>707,368</b>
Amortization & Depreciation	586,202	588,488	276,589	283,504
<b>EBIT</b>	<b>-681,996</b>	<b>-1,539,969</b>	<b>-188,165</b>	<b>423,864</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>-574,502</b>	<b>18,210</b>
Income Taxes	-150,489	-25,978	-86,175	2,731
<b>Net Earnings for the period</b>	<b>-1,347,113</b>	<b>-2,012,056</b>	<b>-488,327</b>	<b>15,478</b>
EPS	-0.01	-0.02	-0.00	0.00

<b>BALANCE SHEET</b>				
<b>(in US\$)- YE Dec 31st</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
<b>Assets</b>				
Cash	2,363,530	1,469,224	1,031,584	1,037,073
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>8,032,204</b>	<b>8,737,755</b>
Property and equipment	33,522	29,234	29,234	29,234
Goodwill, intangible assets, and other	4,518,501	3,944,422	3,717,833	3,534,329
<b>Total Assets</b>	<b>14,387,083</b>	<b>11,807,080</b>	<b>11,779,271</b>	<b>12,301,318</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)	(44,486,298)	(44,470,819)
<b>Total Liabilities &amp; SE</b>	<b>14,387,083</b>	<b>11,807,080</b>	<b>11,779,271</b>	<b>12,301,318</b>



<b>STATEMENTS OF CASH FLOWS</b>				
<b>(in US\$) - YE Dec 31st</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>	<b>2025E</b>
<b>Operating Activities</b>				
Net earnings for the period	-1,347,113	-2,012,056	-488,327	15,478
<b>Items not involving cash</b>				
Depreciation	586,202	588,488	276,589	283,504
Gain on derivative liability	(23,314)	(51)	-	-
Deferred income tax expense	(210,499)	70,140	-	-
Unrealized foreign exchange loss	(1,052)	(1,407)	-	-
Stock Based Compensation	696,248	515,116	-	-
	<b>-299,528</b>	<b>-839,770</b>	<b>-211,737</b>	<b>298,982</b>
Accounts Receivable	(772,418)	1,054,025	(626,131)	(688,744)
Prepaid Expenses	34,220	(31,647)	(10,290)	(11,318)
Accounts payable and accrued expenses	1,471,471	(1,006,248)	460,517	506,569
<b>Changes in working capital</b>	<b>733,273</b>	<b>16,130</b>	<b>(175,903)</b>	<b>(193,493)</b>
<b>Cash from (used in) operations</b>	<b>433,745</b>	<b>-823,640</b>	<b>-387,640</b>	<b>105,489</b>
<b>Financing activities</b>				
Proceeds from secured borrowings, net	-	(29,484)	-	-
Equity	(87,778)	(517)	-	-
Payment on operating lease liabilities	(34,511)	(31,951)	-	-
<b>Cash provided by financing activities</b>	<b>(122,289)</b>	<b>(61,952)</b>	<b>-</b>	<b>-</b>
<b>Investing activities</b>				
Acquisition of equipment/subsidiary	(22,806)	(8,714)	(50,000)	(100,000)
Security deposits	(3,727)	-	-	-
<b>Cash used in investing activities</b>	<b>(26,533)</b>	<b>(8,714)</b>	<b>(50,000)</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.