

## Kidoz Inc.

(TSXV: KIDZ / OTC: KDOZF)

### Record-Breaking Q4 Blows Past Our Expectations

**BUY**

**Current Price: C\$0.24**

**Fair Value: C\$0.64**

**Risk\*: 4**

**Sector/Industry: Ad Tech**

[Click here for more research on the company](#)

### Highlights

- KIDZ is **up 100% since our Q3** update report in November 2024.
- Yesterday, KIDZ reported unaudited Q4-2024 financial results. Q4 revenue increased 23% YoY to \$7.4M, **the highest quarterly revenue in the company's history**, surpassing our estimate by 22%. Revenue growth was driven by advertisers launching multiple global campaigns on the KIDZ platform during the quarter.
- We were pleasantly surprised by the strong Q4 rebound. Despite management's upbeat guidance, we were cautious in our forecast, given 2024 (9M) revenue was down 10% YoY.
- Gross margins increased 23 pp YoY to 56%, beating our estimate by 10 pp. **EPS rose 489% YoY to \$0.015, significantly exceeding our forecast of \$0.008.**
- In 2024, YouTube (NASDAQ: GOOGL) and Meta (NASDAQ: META) reported 8% and 22% YoY ad revenue growth, respectively, in 2024, compared to 5% for Kidoz.
- Major digital ad companies saw average YoY revenue growth of 14% in 2024, with **consensus forecasts predicting 10% revenue growth in 2025**. We are modeling 7% revenue growth for KIDZ in 2025.
- In 2025, global digital advertising spending is expected to continue growing, though at a moderated pace compared to the previous year, primarily driven by economic uncertainty, and stricter data privacy laws. We believe **the recent stricter ad regulations introduced by the U.S. COPPA 2.0** will push advertisers toward companies like KIDZ, which specialize in kid-friendly advertising.
- KIDZ's forward EV/R is 1.3x vs the sector average of 2.9x, **a 55% discount**. With 2024 revenue and EPS surpassing our expectations, we are revising our 2025 projections higher.

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

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



	YTD	12M
KIDZ	57%	68%
TSXV	0%	11%

### Company Data

52-Week Range	C\$0.10 - C\$0.36
Shares O/S	131M
Market Cap.	C\$32M
Current Yield	N/A
P/E (forward)	N/A
P/B	3.9x

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

(US\$)	2024	2025E	2026E
Cash	2,780,517	3,811,385	5,111,435
Working Capital	4,289,737	5,209,196	6,373,580
Total Assets	11,734,233	12,868,943	14,278,197
LT Debt to Capital	0.0%	0.0%	0.0%
Revenue	14,004,527	14,935,000	16,050,000
Net Income	423,289	760,971	998,140
EPS	0.003	0.006	0.008

\*This report and research coverage is paid for and commissioned by the issuer. See last page for other important disclosures, rating, and risk definitions. All figures in US\$ unless otherwise specified.

## Financials

Q4-2024 revenue was up 23% YoY, beating our forecast by 22%; note that 2024-9M revenue was down 10% YoY

Gross margins increased 23 pp YoY to 56%, driven by higher direct vs reseller sales, and streamlined campaign execution, beating our estimate by 10 pp

G&A and other expenses as a percentage of revenue were relatively flat

Driven by higher revenue and gross margins, EPS rose 489% YoY to \$0.015, exceeding our forecast of \$0.008

Cash from operations and free cash flows were also up significantly

Healthy balance sheet, with no debt

Operating Summary	Q4-2021	Q4-2022	Q4-2023	Q4-2024	YoY
Revenue	\$5,934,550	\$6,781,823	\$6,030,546	\$7,444,505	23%
Gross Profit	\$2,396,424	\$2,067,078	\$1,970,694	\$4,167,412	111%
Selling & Marketing	\$175,439	\$385,532	\$321,344	\$500,766	56%
G&A & Others	\$1,080,487	\$1,316,390	\$1,339,027	\$1,534,882	15%
EBITDA (excl. SBC)	\$1,403,991	\$591,321	\$445,247	\$2,233,663	402%
EBITDA (excl. development costs)	\$1,901,941	\$1,314,309	\$1,224,521	\$3,160,352	158%
Net Income	\$784,981	\$419,380	\$328,309	\$1,934,806	489%
EPS	\$0.01	\$0.00	\$0.00	\$0.01	

Margins	Q4-2021	Q4-2022	Q4-2023	Q4-2024	Sector (Advertising)
Gross	40.38%	30.48%	32.68%	55.98%	30.1%
EBITDA	23.66%	8.72%	7.38%	30.00%	8.2%
EBIT	16.71%	3.22%	2.71%	28.03%	5.4%
Net	13.23%	6.18%	5.44%	25.99%	0.40%

Expenses / Sales	Q4-2021	Q4-2022	Q4-2023	Q4-2024
Selling & Marketing	3.0%	5.7%	5.3%	6.7%
Development	8.4%	10.7%	12.9%	12.4%
Stock Based Compensation	3.6%	2.5%	2.2%	1.4%
Salaries	3.2%	2.8%	3.0%	2.8%
G & A	3.1%	3.4%	4.1%	4.0%
<b>Total</b>	<b>21.2%</b>	<b>25.1%</b>	<b>27.5%</b>	<b>27.3%</b>

Summary of Cash Flows	Q4-2021	Q4-2022	Q4-2023	Q4-2024	YoY
Cash Flows from Operations	896,780	641,543	36,989	2,341,130	6229%
Cash Flows from Investing	(306)	(13,542)	-	(3,212)	
Cash Flows from Financing	(7,875)	(94,733)	(36,720)	-	
Net Change	\$888,599	\$533,268	\$269	\$2,337,918	
<b>Free Cash Flows</b>	<b>\$896,474</b>	<b>\$628,001</b>	<b>\$36,989</b>	<b>\$2,337,918</b>	6221%

Liquidity Analysis	2022	2023	2024	Sector (Advertising)
Cash	\$2,363,530	\$1,469,224	\$2,780,517	
Working Capital	\$4,147,176	\$3,220,646	\$4,289,737	
Current Ratio	1.73	1.70	2.15	1.50
Debt / Capital	0.5%	0.0%	0.0%	26.3%
LT Debt / Capital	0.0%	0.0%	0.0%	17.2%
EBIT Interest Coverage Ratio	n/a	n/a	n/a	6.6

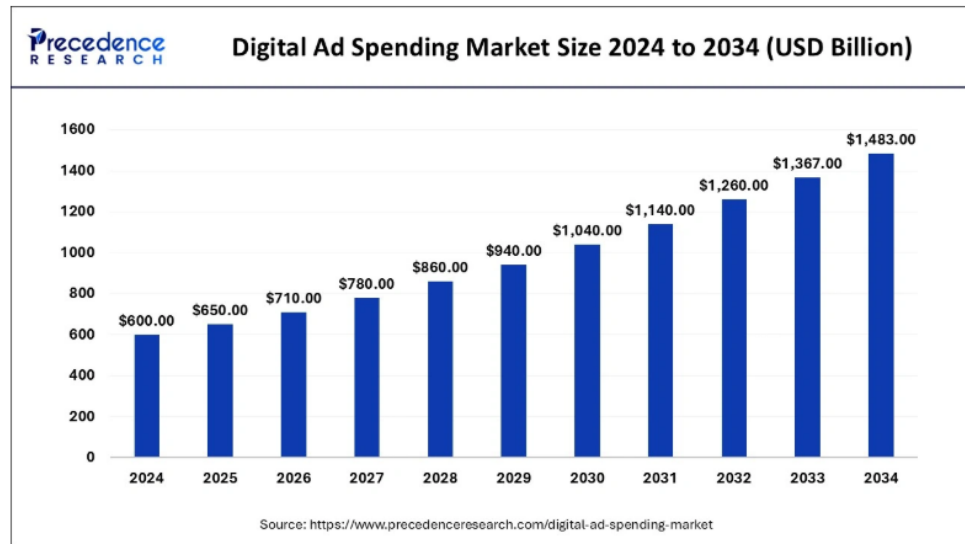
Source: FRC/Company

## Sector Outlook

Global digital ad spending in 2024 grew by approximately 13%, compared to 12% in 2023. In 2025, **global digital advertising spending is expected to continue growing**, though at a moderated pace (9-11% per consensus forecasts) compared to the previous year, primarily due to economic uncertainties, and increased data privacy regulations. We anticipate **AI-driven personalization and programmatic advertising** to be the primary drivers of growth in this sector. Additionally, we believe that mobile advertising, along with video and social media platforms, will remain the preferred ad channels.

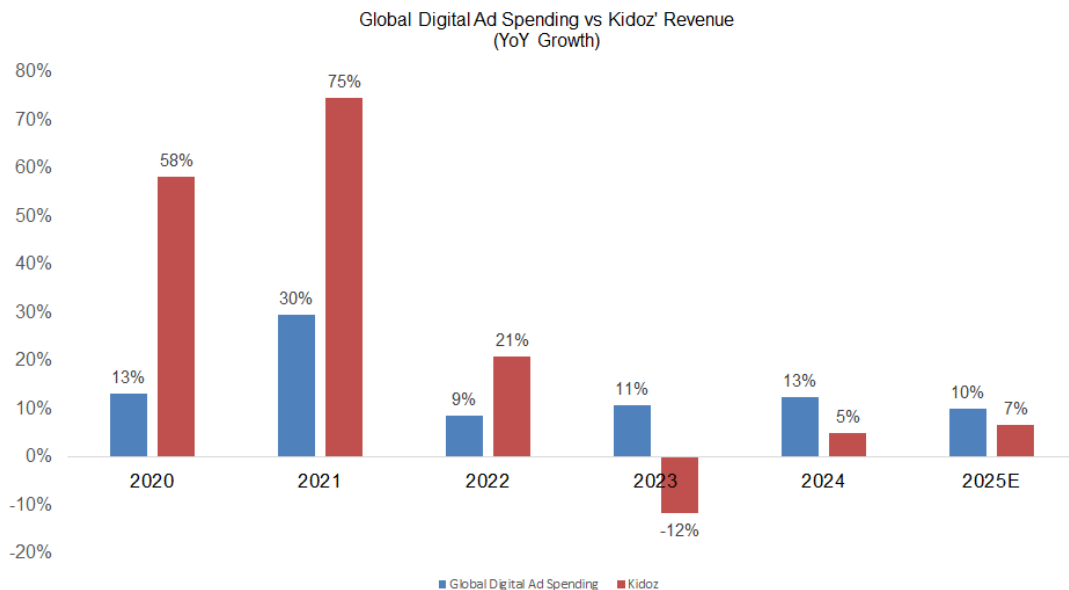
*It is estimated that global digital ad spending will grow at a CAGR of 9.5% from 2025 to 20234 (Source: Precedence Research)*

*During this period, North America is expected to lead with the highest market share of 37.15%*



## FRC Projections and Valuation

*Historically, we estimate that KIDZ's revenue growth outpaced global digital ad spending growth by 1.2x on average*



Source: FRC / Various

As 2024 revenue was significantly higher than expected, we are raising our 2025 revenue and EPS forecasts

FRC Forecasts	2025E (Old)	2025E (New)	2026E (Introducing)
Revenue	\$14,392,500	\$14,935,000	\$16,050,000
EBITDA	\$707,368	\$1,544,373	\$1,916,262
Net Profit (Loss)	\$15,478	\$760,971	\$998,140
EPS	\$0.000	\$0.006	\$0.008

As a result, our DCF valuation increased from C\$0.75 to C\$0.79/share

DCF Valuation	2025E	2026E	2030E	Terminal
Funds Flow from Operations (US\$)	1,019,459	1,264,384	9,711,002	
Change in Working Capital (US\$)	111,409	135,666	(162,568)	
Cash from Operations (US\$)	1,130,868	1,400,050	9,548,435	
CAPEX (US\$)	(100,000)	(100,000)	(100,000)	
Free Cash Flow (US\$)	1,030,868	1,300,050	9,448,435	
Present Value (US\$)	971,912	1,089,510	4,943,346	53,596,276
Discount Rate	12.5%			
Terminal Growth	3.0%			
Present Value (US\$)	\$69,497,140			
Cash - Debt (US\$)	\$2,780,517			
Fair Value (US\$)	\$72,277,657			
Shares O/S	131,304,499			
<b>Value per Share (C\$)</b>	<b>\$0.79</b>			

Source: FRC

### Digital AdTech Companies

KIDZ remains one of the most undervalued stocks on our list of comparables, with a forward EV/R of 1.3x (previously 0.9x), significantly lower than the sector average of 2.9x (previously 3.0x)

Kidoz vs Larger Players	2024 Revenue Growth	2025 Revenue Growth Forecasts	EV/R (forward)
AppLovin Corp.	43%	23%	22.60
The Trade Desk Inc.	26%	18%	12.29
META Platforms Inc.	22%	15%	8.69
Alphabet Inc.	13%	11%	5.34
Magnite Inc.	11%	10%	3.97
Integral Ad Science Holding Corp.	11%	12%	2.84
LiveRamp Holdings Inc.	15%	13%	2.17
Pubmatic Inc.	10%	8%	1.85
Criteo SA	-1%	5%	1.68
The Interpublic Group of Companies	-2%	-3%	1.40
<b>Kidoz Inc.</b>	<b>5%</b>	<b>7%</b>	<b>1.29</b>
Omnicom Group Inc.	7%	3%	1.26
Viant Technology Inc.	27%	13%	1.08
<b>Average (excl. outliers)</b>	<b>14%</b>	<b>10%</b>	<b>2.87</b>

Source: S&P Capital IQ / FRC

As a result of our higher 2025 revenue forecast, our comparables valuation increased from C\$0.41 to C\$0.50/share

**We are reiterating our BUY rating, and raising our fair value estimate from C\$0.58 to C\$0.64/share (the average of our DCF and comparables valuations).** KIDZ's Q4 performance dramatically exceeded expectations, highlighted by record revenue, and significant margin expansion, signaling strong momentum and a clear advantage in the evolving kid-friendly advertising landscape.

## 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>				
(in US\$) - YE Dec 31st	2023	2024	2025E	2026E
<b>Total Revenue</b>	<b>13,326,824</b>	<b>14,004,527</b>	<b>14,935,000</b>	<b>16,050,000</b>
Cost of Sales	8,392,767	6,426,973	6,870,100	7,350,900
<b>Gross Profit</b>	<b>4,934,057</b>	<b>7,577,554</b>	<b>8,064,900</b>	<b>8,699,100</b>
<b>Expenses</b>				
Selling & Marketing	1,268,218	1,465,833	1,493,500	1,605,000
Development	2,999,079	3,445,018	3,548,369	3,654,820
Stock Awareness Program	146,300	-	-	-
Stock Based Compensation	515,116	379,247	390,624	402,343
Compensation	713,335	630,904	649,831	669,326
G & A	758,606	804,687	828,828	853,692
<b>EBITDA (excl. SBC)</b>	<b>-951,481</b>	<b>1,231,112</b>	<b>1,544,373</b>	<b>1,916,262</b>
Amortization & Depreciation	588,488	250,960	258,489	266,243
<b>EBIT</b>	<b>-1,539,969</b>	<b>980,152</b>	<b>1,285,884</b>	<b>1,650,018</b>
Interest & Bank Charges	1,049	643	-	-
Exchange Rate and Unusual Items	16,002	(90,064)	-	-
<b>EBT</b>	<b>-2,038,034</b>	<b>511,484</b>	<b>895,260</b>	<b>1,247,675</b>
Income Taxes	-25,978	88,195	134,289	249,535
<b>Net Earnings for the period</b>	<b>-2,012,056</b>	<b>423,289</b>	<b>760,971</b>	<b>998,140</b>
EPS	-0.02	0.003	0.01	0.01

<b>BALANCE SHEET</b>				
(in US\$)- YE Dec 31st	2023	2024	2025E	2026E
<b>Assets</b>				
Cash	1,469,224	2,780,517	3,811,385	5,111,435
Accounts receivable	6,261,305	5,181,211	5,440,272	5,712,285
Prepaid expenses	102,895	65,404	68,674	72,108
<b>Current Assets</b>	<b>7,833,424</b>	<b>8,027,132</b>	<b>9,320,331</b>	<b>10,895,828</b>
Property and equipment	29,234	25,803	25,803	25,803
Goodwill, intangible assets, and other	3,944,422	3,681,298	3,522,809	3,356,566
<b>Total Assets</b>	<b>11,807,080</b>	<b>11,734,233</b>	<b>12,868,943</b>	<b>14,278,197</b>
<b>Liabilities &amp; Shareholders' Equity</b>				
Accounts payables & accrued liabilities	4,605,173	3,737,395	4,111,135	4,522,248
<b>Current Liabilities</b>	<b>4,612,778</b>	<b>3,737,395</b>	<b>4,111,135</b>	<b>4,522,248</b>
<b>Shareholder's Equity</b>				
Share Capital	51,167,693	51,546,940	51,546,940	51,546,940
Foreign Currency Translation	24,580	24,580	24,580	24,580
Deficit	(43,997,971)	(43,574,682)	(42,813,711)	(41,815,571)
<b>Total Liabilities &amp; SE</b>	<b>11,807,080</b>	<b>11,734,233</b>	<b>12,868,943</b>	<b>14,278,197</b>

<b>STATEMENTS OF CASH FLOWS</b>			
<b>(in US\$)- YE Dec 31st</b>	<b>2024</b>	<b>2025E</b>	<b>2026E</b>
<b>Operating Activities</b>			
Net earnings for the period	764,866	760,971	998,140
<b>Items not involving cash</b>			
Depreciation	250,960	258,489	266,243
Unrealized foreign exchange loss	1,927	-	-
Stock Based Compensation	379,247	-	-
	<b>1,397,000</b>	<b>1,019,459</b>	<b>1,264,384</b>
Accounts Receivable	965,614	(259,061)	(272,014)
Prepaid Expenses	37,491	(3,270)	(3,434)
Accounts payable and accrued expenses	(1,094,875)	373,740	411,113
<b>Changes in working capital</b>	<b>(91,770)</b>	<b>111,409</b>	<b>135,666</b>
<b>Cash from (used in) operations</b>	<b>1,305,230</b>	<b>1,130,868</b>	<b>1,400,050</b>
<b>Financing activities</b>			
Proceeds from secured borrowings, net		-	-
Equity		-	-
Payment on operating lease liabilities	(7,605)	-	-
<b>Cash provided by financing activities</b>	<b>(7,605)</b>	<b>-</b>	<b>-</b>
<b>Investing activities</b>			
Acquisition of equipment/subsidiary	(9,840)	(100,000)	(100,000)
Security deposits	23,508	-	-
<b>Cash used in investing activities</b>	<b>13,668</b>	<b>(100,000)</b>	<b>(100,000)</b>

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

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**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.

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