

Kidoz Inc.

(TSXV: KIDZ / OTC: KDOZF)

Record Revenue and Return to Profitability

BUY

Current Price: C\$0.32

Fair Value: C\$0.65

Risk*: 4

Sector/Industry: Ad Tech

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

Highlights

- KIDZ released its audited FY2024 financials yesterday, which **were in line with the preliminary unaudited figures** announced in February. As there were no material surprises, we are not comparing the results with our previous projections in this report. Please review our [February 2025 update](#) for those comparisons.
- 2024 revenue rose 5% YoY to \$14M**, driven by multiple global advertising campaigns launched on the KIDZ platform in Q4. Notably, Q4 revenue jumped 23% YoY to \$7M, marking the highest quarterly revenue in the company's history.
- Gross margins increased 17 pp YoY to 54%**. EBITDA, EPS, and free cash flow turned positive. This marks **the first positive EPS since 2020**.
- We believe **stricter ad regulations recently introduced by COPPA 2.0 in the U.S.**, will push advertisers toward companies like KIDZ, which specialize in kid-friendly advertising.
- Global ad spending growth is expected to slow amid rising uncertainties, escalating trade tensions, geopolitical risks, and the potential for a global GDP slowdown **driven by Trump's tariff threats**. That said, we believe Trump may reverse or soften these new measures due to their potential negative impact on U.S. consumers and businesses, and as trade deals are made with other countries.
- Major digital ad companies saw average YoY revenue growth of 14% in 2024, with **consensus forecasts predicting 10% revenue growth in 2025**. In Q1-2025, YouTube (NASDAQ: GOOGL) and Meta (NASDAQ: META) reported 10% and 14% YoY ad revenue growth, respectively. In light of this and sector consensus, we are now modeling 13% revenue growth (previously 7%) for KIDZ in 2025.
- KIDZ's forward EV/R is 1.7x vs the sector average of 2.4x, a 28% discount. We anticipate record revenue and EPS in 2025.

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

KIDZ Price and Volume (1-year)



	YTD	12M
KIDZ	113%	45%
TSXV	6%	13%

Company Data

52-Week Range	C\$0.10 - C\$0.32
Shares O/S	131M
Market Cap.	C\$42M
Current Yield	N/A
P/E (forward)	N/A
P/B	5.3x

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

	2024	2025E	2026E
Cash	2,780,517	4,129,142	5,838,483
Working Capital	4,219,588	5,449,790	7,015,748
Total Assets	11,734,233	13,186,700	15,005,245
LT Debt to Capital	0.0%	0.0%	0.0%
Revenue	14,004,527	15,768,500	17,266,508
Net Income	353,140	1,071,713	1,399,714
EPS	0.003	0.008	0.011

*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

2024 revenue was up 5% YoY (2024-9M was down 10% YoY), driven by a strong rebound in Q4

Gross margins increased 17 pp YoY to 54%, driven by higher direct vs reseller sales, and streamlined campaign execution

G&A and other expenses were up 1 pp YoY to 48% of revenue

As a result of higher revenue, and gross margins, EPS turned positive, increasing from -\$0.02 to \$0.003

Cash from operations and free cash flows turned positive as well

Healthy balance sheet, with no debt

Can raise up to C\$1M from in-the-money options

Operating Summary	2022	2023	2024	YoY
Revenue	\$15,097,056	\$13,326,824	\$14,004,527	5%
Gross Profit	\$5,123,845	\$4,934,057	\$7,577,554	54%
Selling & Marketing	\$1,039,713	\$1,268,218	\$1,465,833	16%
G&A & Others	\$4,876,174	\$5,132,436	\$5,260,983	3%
EBITDA (excl. SBC)	-\$95,794	-\$951,481	\$1,229,985	
EBITDA (excl. development costs)	\$2,401,083	\$2,047,598	\$4,675,003	128%
Net Income	-\$1,347,113	-\$2,012,056	\$353,140	
EPS	-\$0.01	-\$0.02	\$0.00	

Margins	2022	2023	2024	Sector (Advertising)
Gross	33.9%	37.0%	54.1%	30.1%
EBITDA	-0.6%	-7.1%	8.8%	8.2%
EBIT	-4.5%	-11.6%	7.0%	5.4%
Net	-8.9%	-15.1%	2.5%	0.4%

Expenses / Sales	2022	2023	2024
Selling & Marketing	6.9%	9.5%	10.5%
Development	16.5%	22.5%	24.6%
Stock Based Compensation	4.6%	3.9%	2.7%
Salaries	5.0%	5.4%	4.5%
G & A	5.0%	5.7%	5.8%
Total	38.1%	46.9%	48.0%

Summary of Cash Flows	2022	2023	2024
Cash Flows from Operations	433,745	(823,640)	1,305,230
Cash Flows from Investing	(26,533)	(8,714)	13,668
Cash Flows from Financing	(122,289)	(61,952)	(7,605)
Net Change	284,923	(894,306)	1,311,293
Free Cash Flows	407,212	(832,354)	1,318,898

Liquidity Analysis	2021	2022	2023	2024	Sector (Advertising)
Cash	\$2,078,607	\$2,363,530	\$1,469,224	\$2,780,517	
Working Capital	\$4,536,851	\$4,147,176	\$3,220,646	\$4,219,588	
Current Ratio	2.06	1.73	1.70	2.11	1.50
Debt / Capital	0.5%	0.5%	0.0%	0.0%	26.3%
LT Debt / Capital	0.5%	0.0%	0.0%	0.0%	17.2%
EBIT Interest Coverage Ratio	n/a	n/a	n/a	n/a	6.6

C\$	Options	Strike Price	Amount
Total Outstanding	10,359,750	\$0.44	\$4,581,350
In-the-Money	4,138,750	\$0.24	\$1,012,250

C\$	Warrants	Strike Price	Amount
Total Outstanding	-	-	-
In-the-Money	-	-	-

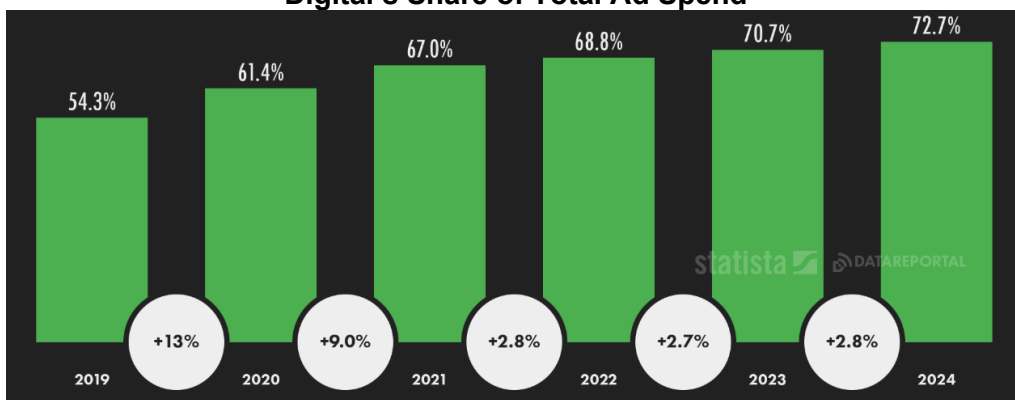
Source: FRC/Company

Sector Outlook

Kidoz's ad platform ensures that all ads are child-appropriate; **a key requirement for advertisers and app developers** looking to build trust with parents, and meet regulatory standards. According to the American Academy of Child and Adolescent Psychiatry, children aged eight–12 in the U.S. **spend an average of four–six hours per day on screens**, while teens spend up to nine hours.

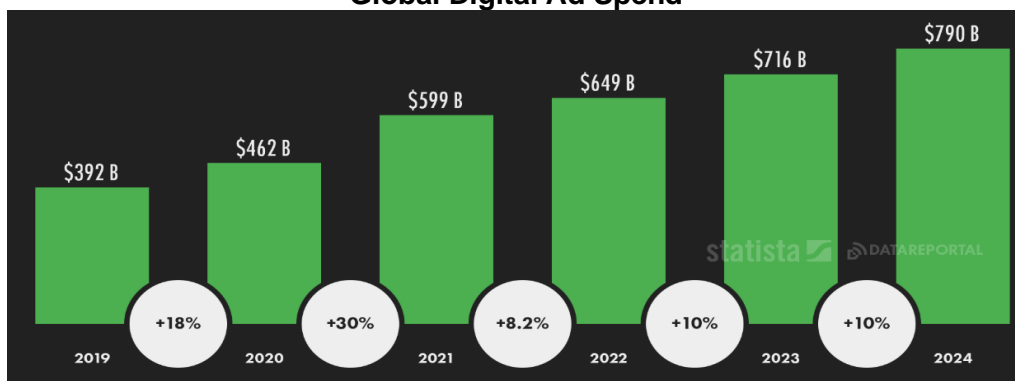
Digital now makes up 73% of global ad spend, up from 54% in 2019

Digital's Share of Total Ad Spend



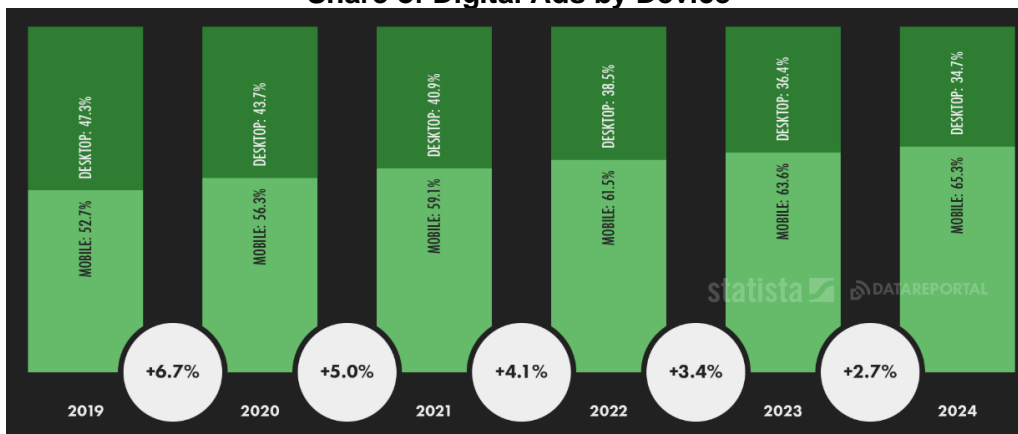
Global digital ad spending grew from US\$392B in 2019, to US\$790B in 2024, reflecting a CAGR of 15%

Global Digital Ad Spend



Mobile devices now account for 65% of all ads, up from 53% in 2019

Share of Digital Ads by Device



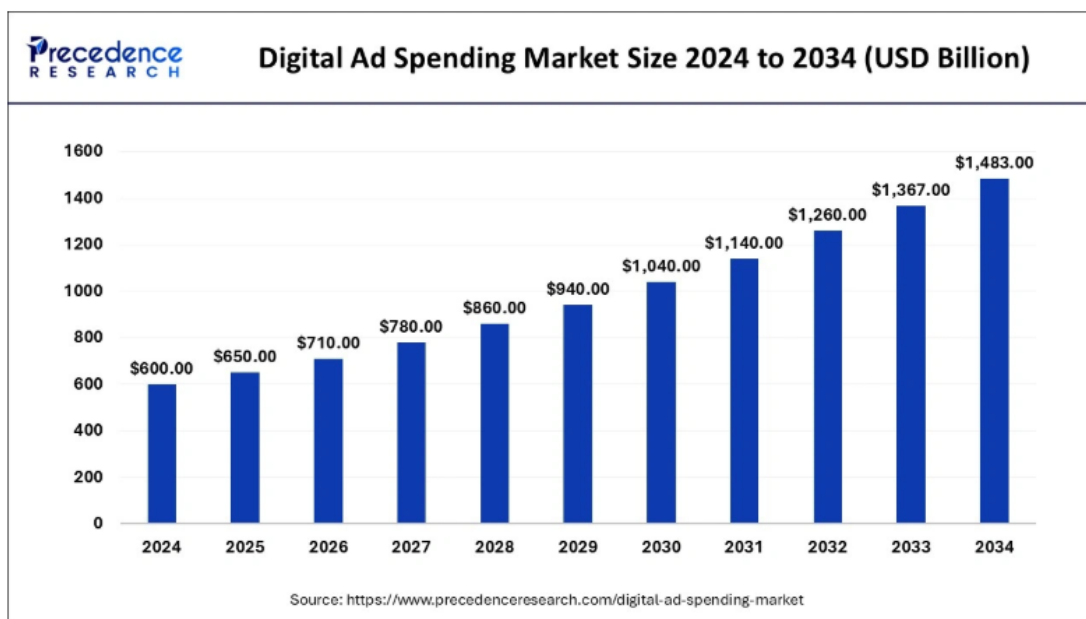
Source: Statista/Meltwater

Global digital ad spending grew by 10% in 2024, with **2025 growth forecasted at 8% amid economic uncertainties, and stronger 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.

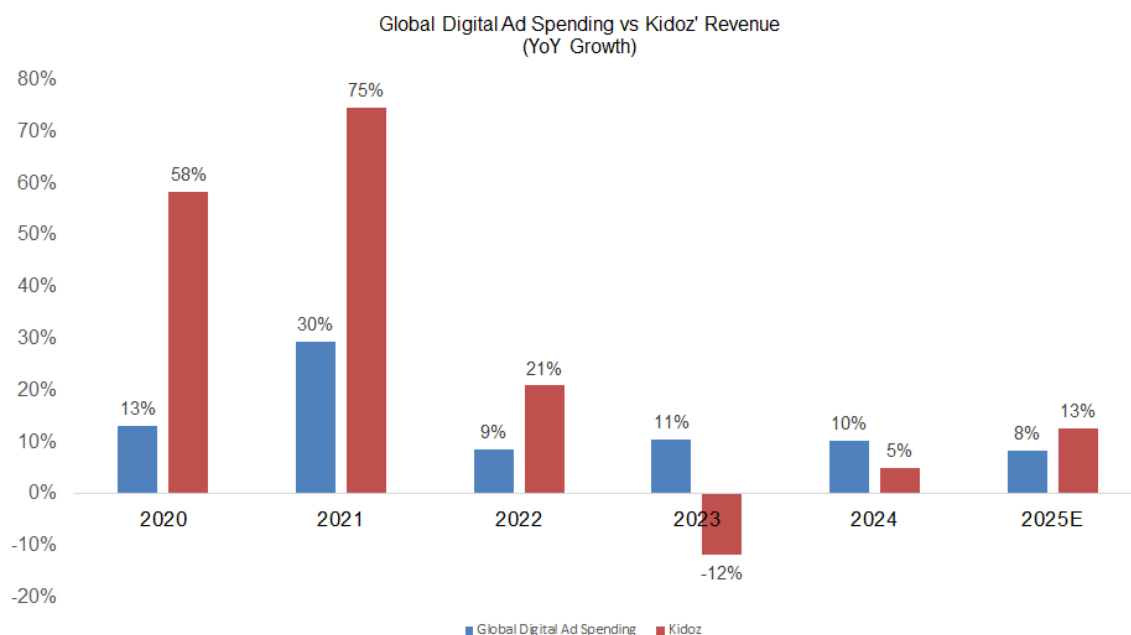
It is estimated that global digital ad spending will grow at a CAGR of 9.5% from 2025 to 20234 (Source: Precedence Research)

During this period, North America is expected to lead with the highest market share of 37%

Historically, we estimate that KIDZ's revenue growth outpaced global digital ad spending growth by 1.6x on average



FRC Projections and Valuation



Source: FRC / Various

In light of the robust revenue growth reported by major ad companies in Q1-2025, we are now modeling 13% revenue growth (previously 7%) for KIDZ in 2025

As a result, our DCF valuation increased from C\$0.79 to C\$0.87/share

FRC Forecasts	2025E (Old)	2025E (New)	2026E (Old)	2026E (New)
Revenue	\$14,935,000	\$15,768,500	\$16,050,000	\$17,266,508
EBITDA	\$1,544,373	\$1,909,952	\$1,916,262	\$2,418,230
Net Profit (Loss)	\$760,971	\$1,071,713	\$998,140	\$1,399,714
EPS	\$0.006	\$0.008	\$0.008	\$0.011

DCF Valuation	2025E	2026E	2030E	Terminal
Funds Flow from Operations (US\$)	1,330,202	1,665,958	10,833,623	
Change in Working Capital (US\$)	118,424	143,383	(151,270)	
Cash from Operations (US\$)	1,448,625	1,809,340	10,682,353	
CAPEX (US\$)	(100,000)	(100,000)	(100,000)	
Free Cash Flow (US\$)	1,348,625	1,709,340	10,582,353	
Present Value (US\$)	1,271,496	1,432,517	5,536,603	60,028,432
Discount Rate	12.5%			
Terminal Growth	3.0%			
Present Value (US\$)	\$79,033,883			
Cash - Debt (US\$)	\$2,780,517			
Fair Value (US\$)	\$81,814,400			
Shares O/S	132,279,968			
Value per Share (C\$)	\$0.87			

Source: FRC

Digital AdTech Companies

Kidoz vs Larger Players	2024 Revenue Growth	2025 Revenue Growth Forecasts	EV/R (forward)
AppLovin Corp.	43%	20%	16.54
The Trade Desk Inc.	26%	17%	8.58
META Platforms Inc.	22%	13%	7.09
Alphabet Inc.	13%	11%	4.87
Magnite Inc.	8%	10%	2.81
LiveRamp Holdings Inc.	15%	13%	1.89
Integral Ad Science Holding Corp.	12%	12%	1.86
Kidoz Inc.	5%	13%	1.73
Criteo SA	-1%	5%	1.41
The Interpublic Group of Companies	-2%	-6%	1.34
PubMatic Inc.	9%	2%	1.29
Omnicom Group Inc.	7%	3%	1.21
Viant Technology Inc.	30%	18%	0.78
Average (excl. outliers)	14%	10%	2.39

Source: S&P Capital IQ / FRC

KIDZ is trading at 1.7x forward EV/Revenue (previously 1.3x), well below the sector average of 2.4x (previously 2.9x)

As a result of a lower sector EV/Revenue, partially offset by our higher 2025 revenue forecast, our comparables valuation decreased from C\$0.50 to C\$0.43/share

We are reiterating our BUY rating, and raising our fair value estimate from C\$0.64 to C\$0.65/share (the average of our DCF and comparables valuations). KIDZ concluded 2024 with strong revenue growth, and a significant improvement in profitability, signaling a positive turning point for the company. We believe the

combination of KIDZ's specialization in kid-friendly advertising, and its discounted valuation, suggests a unique circumstance, particularly with anticipated record revenue and EPS 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

INCOME STATEMENT					
(in US\$) - YE Dec 31st					
	2022	2023	2024	2025E	2026E
Total Revenue	15,097,056	13,326,824	14,004,527	15,768,500	17,266,508
Cost of Sales	9,973,211	8,392,767	6,426,973	7,253,510	7,942,593
Gross Profit	5,123,845	4,934,057	7,577,554	8,514,990	9,323,914
Expenses					
Selling & Marketing	1,039,713	1,268,218	1,465,833	1,576,850	1,726,651
Development	2,496,877	2,999,079	3,445,018	3,548,369	3,654,820
Stock Awareness Program	161,332	146,300	-	-	-
Stock Based Compensation	696,248	515,116	379,247	390,624	402,343
Compensation	760,781	713,335	630,904	649,831	669,326
G & A	760,936	758,606	805,814	829,988	854,888
EBITDA (excl. SBC)	-95,794	-951,481	1,229,985	1,909,952	2,418,230
Amortization & Depreciation	586,202	588,488	250,960	258,489	266,243
EBIT	-681,996	-1,539,969	979,025	1,651,463	2,151,986
Interest & Bank Charges	185	1,049	643	-	-
FOREX & Unusual	-119,543	16,002	-88,701	-	-
EBT	-1,497,602	-2,038,034	511,720	1,260,839	1,749,643
Income Taxes	-150,489	-25,978	158,580	189,126	349,929
Net Income	-1,347,113	-2,012,056	353,140	1,071,713	1,399,714
EPS	-0.01	-0.02	0.003	0.01	0.01
BALANCE SHEET					
(in US\$)- YE Dec 31st					
	2022	2023	2024	2025E	2026E
Assets					
Cash	2,363,530	1,469,224	2,780,517	4,129,142	5,838,483
Accounts receivable	7,400,282	6,261,305	5,181,211	5,440,272	5,712,285
Prepaid expenses	71,248	102,895	65,404	68,674	72,108
Current Assets	9,835,060	7,833,424	8,027,132	9,638,088	11,622,876
Property and equipment	33,522	29,234	25,803	25,803	25,803
Goodwill, intangible assets, and other	4,518,501	3,944,422	3,681,298	3,522,809	3,356,566
Total Assets	14,387,083	11,807,080	11,734,233	13,186,700	15,005,245
Liabilities & Shareholders' Equity					
Accounts payables & accrued liabilities	5,611,421	4,605,173	3,807,544	4,188,298	4,607,128
Lease	32,116	7,605	-	0	0
Current Liabilities	5,687,884	4,612,778	3,807,544	4,188,298	4,607,128
Shareholder's Equity					
Share Capital	50,653,094	51,167,693	51,546,940	51,546,940	51,546,940
Foreign Currency Translation	24,580	24,580	24,580	24,580	24,580
Deficit	(41,985,915)	(43,997,971)	(43,644,831)	(42,573,118)	(41,173,404)
Total Liabilities & SE	14,387,083	11,807,080	11,734,233	13,186,700	15,005,245

STATEMENTS OF CASH FLOWS
(in US\$)- YE Dec 31st
2022
2023
2024
2025E
2026E
Operating Activities

Net earnings for the period -1,347,113 -2,012,056 353,140 1,071,713 1,399,714

Items not involving cash

Depreciation 586,202 588,488 250,960 258,489 266,243

Gain on derivative liability (23,314) (51) - -

Deferred income tax expense (210,499) 70,140 114,480 - -

Unrealized foreign exchange loss (1,052) (1,407) 1,927 - -

Stock Based Compensation 696,248 515,116 379,247 - -

-299,528 -839,770 1,099,754 1,330,202 1,665,958

Accounts Receivable (772,418) 1,054,025 965,614 (259,061) (272,014)

Prepaid Expenses 34,220 (31,647) 37,491 (3,270) (3,434)

Accounts payable and accrued expenses 1,471,471 (1,006,248) (797,629) 380,754 418,830

Changes in working capital 733,273 16,130 205,476 118,424 143,383
Cash from (used in) operations 433,745 -823,640 1,305,230 1,448,625 1,809,340
Financing activities

Proceeds from secured borrowings, net - (29,484) - -

Equity (87,778) (517) - -

Payment on operating lease liabilities (34,511) (31,951) (7,605) - -

Cash provided by financing activities (122,289) (61,952) (7,605) - -
Investing activities

Acquisition of equipment/subsidiary (22,806) (8,714) (9,840) (100,000) (100,000)

Security deposits (3,727) - 23,508 - -

Cash used in investing activities (26,533) (8,714) 13,668 (100,000) (100,000)

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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.

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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.

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