

REVISIONS

Rating/Target	Rev.	Prior
Rating	Buy	Buy
Target Price (C\$)	\$1.90	\$1.85
Revenue F2020E (M)	\$10.2	\$10.2
Adj. EBITDA F2020E (M)	-\$3.2	-\$3.8
Adj. EPS F2020 (M)	-\$0.09	-\$0.08

MARKET DATA

Date:	Mar 10, 2020
Current Price (C\$):	\$0.30
Target Price (C\$):	\$1.90
52-Week Range:	\$0.30 / \$0.71
Shares O/S (M):	55.8
Mkt Cap (C\$M):	\$16.7
EV (C\$M):	\$27.3
Avg. Weekly Vol. (M):	0.38

Website: kuuhubb.com

FINANCIALS

	F2019A	F2020E	F2021E
Revenue (\$M)	\$12.4	\$10.2	\$25.2
EBITDA (\$M)	-\$1.3	-\$3.2	\$1.3
EPS (\$)	-\$0.27	-\$0.09	\$0.00
Cash (\$M)	\$0.7	\$3.2	\$2.6
Current Assets (\$M)	\$3.2	\$8.1	\$12.8
Net Cash (\$M)	-\$2.9	-\$6.2	-\$6.2
Total Assets (\$M)	\$4.6	\$8.9	\$13.7
Debt (\$M)	\$3.5	\$7.6	\$7.0
Total Liabilities (\$M)	\$0.2	\$0.2	\$0.2
Fiscal Year End:	30-Jun		

Source: Company Reports, S&P Capital IQ, Yahoo!Finance, eResearch Corp.

Chris Thompson, CFA, MBA, P.Eng.
Director of Equity Research

Kuuhubb Inc. (TSXV:KUU)

Fiscal Q2/2020 Financial Results In-line with Estimates

COMPANY DESCRIPTION:

Kuuhubb Inc. (“Kuuhubb” or “the Company”) focuses on digital entertainment and casual eSports targeting the female demographic. The Company creates and acquires games and applications for female audiences with a focus on relaxation, expression, and entertainment. **Kuuhubb’s** main apps are *Recolor*, a digital colouring book application, and *My Hospital*, a simulation game application. Currently in soft launch are two Match-3 apps with story-based formats, *Tiles & Tales* and *Dance Talent*, and, in development, is a new casual eSports Match-3 Battle Royale game.

FQ2/2020 FINANCIAL RESULTS:

- Revenue for the 3 months, ended December 31, 2019, was \$1.97 million compared to revenue of \$3.07 million for the 3 months ended December 31, 2018. Revenue for the quarter was slightly higher than our estimate of \$1.90 million.
- Revenue was primarily generated from sales of the *Recolor App*, in-application sale of virtual goods from the *My Hospital* game, and in-application advertising.
- According to the Company, revenue from the *Recolor App* stabilized during the quarter with a successful new product update in November 2019, but revenue from the *My Hospital* game decreased in the quarter due to a dispute with Cherrypick Games, the apps creator and support developer.
- Overall expenses were \$2.3 million in FQ2/2020, below our estimate of \$2.5 million, mainly due to lower spending on Sales & Marketing.
- During the three months ended December 31, 2019, Kuuhubb incurred a net loss of \$1.4 million compared to a net loss \$2.1 million in the same quarter a year ago.
- Cash flows from operating activities for the three months ended December 31, 2019, was positive, for the first time in a year, at \$95,222, compared to \$136,492 in same period during the prior fiscal year.

FINANCIAL ESTIMATES & VALUATION:

- For the next 3 Fiscal years, ending June 30, we estimate Kuuhubb’s revenue as follows:**
 - F2020: Revenue \$10.2 million; EBITDA -\$3.2 million;**
 - F2021: Revenue \$25.2 million; EBITDA \$1.3 million;**
 - F2022: Revenue \$59.3 million; EBITDA \$8.9 million.**
- We estimate an equal-weighted price per share target of C\$1.90, blending a target price based on a DCF valuation (C\$3.01/share) and a Revenue Multiple valuation (C\$0.81/share).
- Currently trading at 1.3x C2020 EV/Revenue compared with the Large Cap gaming comps trading at 3.4x C2020 EV/Revenue and the Nordic gaming comps at 2.8x C2020 EV/Revenue.
- We are maintaining a Buy rating and increasing the one-year price target to C\$1.90/share from C\$1.85/share.

All figures in USD unless otherwise stated.

eResearch Corporation

100 University Avenue, 5th Floor • Toronto, Ontario • M5J 1V6
www.eresearch.com

REVIEW OF FQ2/2020 FINANCIALS

Kuuhubb's revenue for the 3 months, ended December 31, 2019, was \$1.97 million compared to revenue of \$3.07 million for the 3 months ended December 31, 2018. Revenue for the quarter was slightly higher than our estimate of \$1.90 million.

Revenue was primarily generated from sales of the *Recolor App*, in-application sale of virtual goods from the *My Hospital* game, and in-application advertising. According to the Company, revenue from the *Recolor App* stabilized during the quarter with a successful new product update in November 2019, but revenue from the *My Hospital* game decreased in this period due to a dispute with Cherrypick Games, the apps creator and support developer.

During the 3 months ended December 31, 2019, Kuuhubb spent \$0.42 million, in sales and marketing expenses related to the promotion of the *Recolor App* and the *My Hospital* game, compared to \$0.24 million spent during the same period in 2018. According to the Company, the majority of these expenses represent the direct cost of acquiring new users or players using advertising networks, such as AdColony, Applovin, Facebook, and Google.

Overall expenses were \$2.3 million in FQ2/2020, below our estimate of \$2.5 million, due to lower spending on Sales & Marketing.

During the three months ended December 31, 2019, Kuuhubb incurred a net loss of \$1.4 million compared to a net loss \$2.1 million in the same quarter a year ago, and higher than our estimate of \$1.1 million due to higher Interest and Accretion Expenses.

Cash flows from operating activities for the three months ended December 31, 2019, was positive, for the first time in a year, at \$95,222 compared to \$136,492 in same period during the prior fiscal year.

Figure 1: Financial Summary

	FQ119A	FQ219A	FQ319A	FQ419A	F2019A	FQ120A	FQ220A	FQ220E	Diff.	FQ320E	FQ420E	F2020E
Revenue (\$M)	\$4.1	\$3.1	\$2.8	\$2.4	\$12.4	\$2.3	\$2.0	\$1.9	4%	\$2.1	\$3.8	\$10.2
Expenses (\$M)	\$4.7	\$3.6	\$3.6	\$3.8	\$15.7	\$2.6	\$2.3	\$2.5	-9%	\$2.6	\$3.7	\$11.1
O.I. (\$M)	(\$2.2)	(\$1.9)	(\$2.1)	(\$2.5)	(\$8.7)	(\$1.3)	(\$1.0)	(\$1.2)	-12%	(\$1.2)	(\$1.0)	(\$4.5)
Adj. EBITDA (\$M)	(\$0.2)	(\$0.1)	(\$0.3)	(\$0.7)	(\$1.3)	(\$0.7)	(\$0.5)	(\$1.1)	-50%	(\$1.1)	(\$0.9)	(\$3.2)
Diluted EPS	(\$0.04)	(\$0.04)	(\$0.05)	(\$0.15)	(\$0.27)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.09)
Cash (\$M)	\$0.21	\$2.27	\$1.29	\$0.70	\$0.70	\$0.37	\$1.29			\$4.18	\$3.16	\$3.16
Debt (\$M)	\$4.53	\$4.46	\$4.84	\$4.25	\$4.25	\$5.16	\$5.60			\$7.76	\$7.60	\$7.60

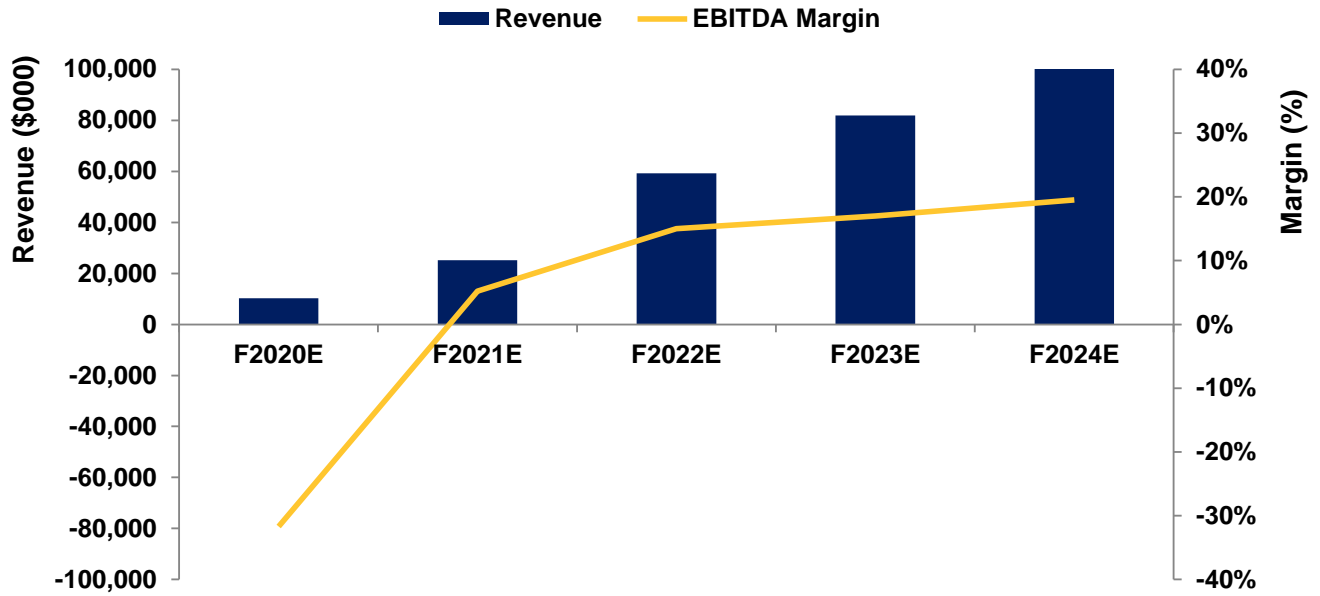
Source: Company Report and eResearch Corp.

Subsequent Events

Subsequent events after December 31, 2019, included Kuuhubb closing a non-brokered private placement offering of an unsecured convertible debenture in February 2020. The €2 million convertible debenture will mature 36 months from the date of closing with an interest at a rate of 10% per year and can be converted at C\$0.80 per share.

In February 2020, Kuuhubb announced the acquisition of Codecacao d.o.o, an app developer in Croatia, for 1,000,000 shares of Kuuhubb payable in installments over a 2-year period and €150,000 paid on closing. Closing is expected to occur in March 2020.

Figure 2: Revenue and EBITDA Margins



Source: Company Reports and eResearch Corp.

VALUATION

Kuuhubb is trading at a discount to its peers when compared with Global Gaming and Nordic Gaming companies, and at a modest discount compared to the Canadian Gaming Comps, albeit a smaller group of comparables (see APPENDIX C: GAMING COMPARABLES).

- Kuuhubb is trading at 1.3x C2020 EV/Revenue
- Global Gaming companies are trading at 3.4x C2020 EV/Sales
- Nordic Gaming companies are trading at 2.8x C2020 EV/Sales
- Canadian Gaming companies are trading at 1.9x C2020 EV/Sales

Target Price Calculation

Method 1: Discounted Cash Flow (see Figure 13)

Using a Weighted Average Cost of Capital (WACC) of 12% and a Terminal Multiple of 10x EBITDA in F2024, the one-year target share price estimate is C\$3.01.

Method 2: Revenue Multiple

Using a revenue multiple of 3x and a one-year forward Revenue estimate of \$13.8 million, the one-year target share price estimate is C\$0.81.

The equal-weighted price per share is C\$1.91 and we are increasing the one-year price target to C\$1.90.

We are maintaining a Buy Rating and increasing our Target Price to C\$1.90 from C\$1.85.

Figure 3: Target Price (1 Year) Calculation for Kuuhubb

			Valuation
Method 1: DCF	WACC:12%	Terminal Multiple:10x EBITDA	C\$3.01
Method 2: Revenue Multiple	3.0x	1 Year Fwd Revenue (Est.): \$13.7M	C\$0.81
Equal-Weighted Valuation (1-year)			C\$1.91
Target Price (1-year)			C\$1.90

Source: eResearch Corp.

Figure 4: DCF Analysis

Kuuhubb Inc. FYE(June)						
DCF Analysis (US\$)	F2019E	F2020E	F2021E	F2022E	F2023E	F2024E
Revenue (\$)	12.4	10.2	25.2	59.3	81.9	102.4
Revenue Growth	-40.6%	-17.8%	148.1%	135.2%	38.1%	25.0%
EBITDA (\$)	(1.8)	(3.2)	1.3	8.9	13.9	20.0
EBITDA Growth	-294.2%	-80.9%	140.8%	574.4%	56.6%	43.7%
EBITDA Margin	-14.4%	-31.8%	5.2%	15.0%	17.0%	19.5%
Depreciation and Amortization	12.9	0.4	0.0	0.0	0.0	0.0
EBIT (\$)	(14.6)	(3.7)	1.3	8.8	13.9	20.0
NOPAT	(8.0)	(4.3)	0.3	6.0	9.9	14.7
Plus Amortization (\$)	12.9	0.4	0.0	0.0	0.0	0.0
Less Capital Expenditures (\$)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Capital Intensity	0.3%	0.1%	0.1%	0.0%	0.0%	0.0%
Net Working Capital Changes	(0.1)	1.5	(0.9)	(1.1)	1.0	(0.1)
EPS (Continuing)	(0.27)	(0.09)	(0.00)	0.10	0.17	0.26
Unlevered Free Cash Flow (\$)	4.7	(2.4)	(0.5)	5.0	10.8	14.6
PV of Unlevered FCFs (\$)	5.1	(2.3)	(0.5)	3.8	7.5	8.9

Valuation Assumptions:

Discount Rate	12.0%
Terminal Multiple	10.0x

Valuation Analysis:

	Current	1-Yr Target	2-Yr Target
Total PV of FCFs (\$M)	17.4	22.1	25.4
Terminal Value (\$M)	200.0	200.0	200.0
PV of Terminal Value (\$M)	122.7	137.5	154.0
Net (debt) cash position	(5.9)	(6.9)	(5.4)
Total Value (\$M)	134.2	152.7	173.9
DCF Value/Share (US\$)	US\$1.97	US\$2.24	US\$2.55
DCF Value/Share (C\$)	C\$2.64	C\$3.01	C\$3.42
FD Shares O/S (M)	68.2	68.2	68.2

Source: Company Reports, eResearch

APPENDIX A: INVESTMENT THESIS – WHY INVEST IN KUUHUBB

MOBILE APP GAMING MARKET – LARGE AND GROWING MARKET

According to Newzoo's 2019 Global Market Report, they forecasted that 2.4 billion gamers across the globe spent \$152.1 billion on games in 2019. This represents an increase of 10.3% from the year before, an increase of \$14.2 billion Y/Y. **Mobile games represent \$68.5 billion or 45% of the gaming market.**

Free-to-play titles drove the bulk of spending, accounting for 80% of total digital game spending in 2019. Meanwhile, the mobile market dominated the top 10 list, accounting for six of the spots. **In 2019, Candy Crush Saga, a top Match-3 game, earned \$1.5 billion in revenues.**

STRONG AND GROWING PRODUCT PORTFOLIO

Kuuhubb currently has eight gaming titles with three generating revenue (*Recolor*, *Recolor by Numbers*, and *My Hospital*), and three that have "soft" launched in selected markets (*Dance Talent*, *Tiles & Tales*, and *Incolour*) which should be generating commercial revenue by the end of year. Kuuhubb's third-generation casual eSports Match-3 Battle Royale game is currently under development and is expected to generate commercial revenue in F2022.

For 2020, Kuuhubb plans to focus development and marketing spending primarily on its main products: *Recolor*, *Recolor by Numbers*, *Tiles & Tales*, *Dance Talent*, and the new casual eSports Match-3 Battle Royale game.

Kuuhubb believes that with an increase in marketing spend on *Recolor* and *Recolor by Numbers* in 2020, revenue can return to the \$1-2 million per month level.

In January 2020, Recolor reached the Top 10 in Apple's Top App Charts in the United States and 14 other countries in the Entertainment category, below Disney+, Netflix, Amazon Prime Video, TikTok, Hulu, and YouTube Kids.

New soft product launches in Q1/2020 of *Dance Talent* and *Tiles & Tales* should lead to full product launch by end-of-year and \$2-5 million per month in revenue once released commercially.

TARGETING SPECIFIC DEMOGRAPHIC – FEMALE GAMERS

Kuuhubb's vision is to become a major player in the mobile games market for female gamers, as it believes there is an increasing female audience for mobile gaming applications that is currently underserved. From the Company's experience with the *Recolor app*, Kuuhubb has established a highly experienced game development team to develop new female targeted games and apps. **Approximately 50% of all employees at Kuuhubb are women, with the content creation team at almost 80% women.** The focus on female gamers helps advertisers develop advertisements geared towards this demographic and targets the users with specific products and services.

ORGANIC AND INORGANIC GROWTH STRATEGY

Kuuhubb's gaming and lifestyle app portfolio has grown to eight titles from two in just two years. The Company's growth strategy includes continuing to find existing mobile apps that will benefit from management's experience as well as developing new apps utilizing its existing technology and targeting the female audience.

EXPERIENCED MANAGEMENT TEAM

Kuuhubb has established a highly experienced team of 70 professionals in the fields of game development, user acquisition, creative content, business development, finance, graphical art, production, publishing, customer service, and operations. Kuuhubb's co-founder and CEO Jouni Keränen has over 18 years of international game and app industry experience, with particular in-depth knowledge of the online games industry and market in Asia, which is an area of focus for Kuuhubb in its business plans going forward.

LOW VALUATION COMPARED WITH ITS PEERS

Currently trading at 1.3x C2020 EV/Revenue compared with the Large Cap Gaming Comps trading at 3.4x C2020 EV/Revenue and the Nordic Gaming Comps at 2.8x C2020 EV/Revenue (see APPENDIX C: GAMING COMPARABLES).

APPENDIX B: KUUHUBB'S FINANCIAL STATEMENTS

Figure 5: KuuHubb Income Statement

KuuHubb Inc. Income Statement (FYE June, US\$)	F2018A	F2019A	FQ120A	FQ220A	FQ320E	FQ420E	F2020E	F2021E
Total Revenue	20,795,398	12,362,053	2,285,184	1,973,984	2,100,000	3,800,000	10,159,168	25,200,000
Total Cost of Sales	7,736,074	5,362,436	993,332	736,933	651,000	1,178,000	3,559,265	6,300,000
Sales and Marketing	11,465,412	2,788,847	615,184	419,113	945,000	1,710,000	3,689,297	10,080,000
General and Administrative	3,665,951	5,559,578	1,418,574	1,357,780	1,575,000	1,786,000	6,137,354	7,502,000
Research and Development	-	-	-	-	-	-	-	-
Stock Based Compensation	2,395,683	1,229,317	360,372	267,337	77,700	140,600	846,009	932,400
Depreciation of Property & Equipment	8,423,926	6,099,783	209,552	208,032	10,660	10,021	438,265	33,090
Total Operating Expenses	26,961,033	15,677,525	2,603,682	2,252,262	2,612,430	3,650,690	11,119,064	18,563,767
Operating Income	(13,901,709)	(8,677,908)	(1,311,830)	(1,015,211)	(1,163,430)	(1,028,690)	(4,519,161)	336,233
Total Other Income	(2,358,534)	(7,869,759)	37,691	(391,384)	(71,164)	(97,982)	(522,838)	(372,157)
EBT	(16,260,243)	(16,547,667)	(1,274,139)	(1,406,595)	(1,234,593)	(1,126,672)	(5,042,000)	(35,924)
Income Taxes	(271,968)	1,394,884	-	-	123,459	112,667	236,127	3,592
Net Income (Loss)	(16,532,211)	(15,152,783)	(1,274,139)	(1,406,595)	(1,111,134)	(1,014,005)	(4,805,873)	(32,332)
EPS								
Basic EPS	(0.34)	(0.27)	(0.02)	(0.03)	(0.02)	(0.02)	(0.09)	(0.00)
Diluted EPS	(0.34)	(0.27)	(0.02)	(0.03)	(0.02)	(0.02)	(0.09)	(0.00)
Shares Outstanding								
Shares Outstanding, Basic	49,339,972	55,581,427	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709
Shares Outstanding, Diluted	49,339,972	55,581,427	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709	55,752,709
Operating Metrics								
Gross Profit	13,059,324	6,999,617	1,291,852	1,237,051	1,449,000	2,622,000	6,599,903	18,900,000
EBITDA	918,699	(1,783,935)	(741,906)	(539,842)	(1,071,000)	(874,000)	(3,226,748)	1,318,000
EBT	(16,260,243)	(16,547,667)	(1,274,139)	(1,406,595)	(1,234,593)	(1,126,672)	(5,042,000)	(35,924)
Net Income	(11,896,573)	(1,081,743)	(1,653,531)	(1,253,725)	(1,111,134)	(1,014,005)	(5,032,395)	(32,332)
Adj. EBITDA	(3,082,100)	(1,348,808)	(741,906)	(539,842)	(1,075,069)	(878,069)	(3,234,887)	1,301,722

Source: Company Reports and eResearch Corp.

Figure 6: Kuuhubb Balance Sheet

KuuHubb Inc. Balance Sheet (As at Jun 30, US\$)	F2018A	F2019A	FQ120A	FQ220A	FQ320E	FQ420E	F2020E	F2021E	F2022E
Current Assets									
Cash	673,993	697,836	367,585	1,287,555	4,175,757	3,156,818	3,156,818	2,590,337	8,814,147
Restricted Cash & Short-Term Investments	0	0	0	0	0	0	0	0	0
Trade & Other Receivables	2,344,358	1,937,263	1,366,079	1,724,071	1,448,871	2,621,766	2,621,766	6,347,433	12,060,123
Investment Tax Credits Receivable	122,778	207,164	0	0	78,120	141,360	141,360	276,000	629,280
Prepaid Expenses & Other Assets	1,159,847	381,068	1,385,924	336,824	1,514,721	2,131,013	2,131,013	3,588,389	6,021,302
Total Current Assets	4,300,976	3,223,331	3,119,588	3,348,450	7,217,469	8,050,957	8,050,957	12,802,160	27,524,852
Non-Current Assets									
Property and Equipment	138,368	126,362	108,713	104,495	95,925	87,822	87,822	67,491	51,939
Intangible Assets	7,912,620	824,596	592,730	406,944	406,944	406,944	406,944	406,944	406,944
Goodwill	5,924,672	0	0	0	0	0	0	0	0
Other	0	384,933	380,400	387,855	387,855	387,855	387,855	387,855	387,855
Total Assets	18,276,636	4,559,222	4,201,431	4,247,744	8,108,193	8,933,578	8,933,578	13,664,450	28,371,590
Current Liabilities									
Trade & Other Payables	2,694,557	1,781,452	1,462,345	1,424,334	4,443,301	6,251,139	6,251,139	10,526,223	17,662,957
Deferred Revenue	654,326	453,571	364,099	335,654	65,100	117,800	117,800	285,200	541,880
Due to Related Parties	520,356	90,145	90,145	90,145	82,933	76,299	76,299	54,660	39,158
Short-Term Debt	685,947	1,913,619	1,808,496	2,177,618	2,408,091	2,787,732	2,787,732	3,852,804	4,394,489
Taxes Payable	271,968	273,651	268,765	274,032	274,032	274,032	274,032	274,032	274,032
Total Current Liabilities	4,926,136	4,602,009	4,073,530	4,999,586	7,971,261	10,204,805	10,204,805	15,690,722	23,610,319
Non-Current Liabilities									
Term Loan	2,443,809	1,618,619	2,831,580	3,425,322	5,347,530	4,812,777	4,812,777	3,157,663	2,071,743
Provision/Loan Payable/Benefits Payable	1,035,630	719,067	521,437	0	0	0	0	0	0
Total Liabilities	8,490,825	8,721,668	9,205,004	10,323,933	15,217,816	16,916,606	16,916,606	20,747,410	27,581,086
Shareholders Equity									
Capital Stock	28,349,476	28,418,521	28,418,521	28,418,521	28,418,521	28,418,521	28,418,521	28,418,521	28,418,521
Warrants & Options	0	0	0	0	0	0	0	0	0
Contributed Surplus	3,482,901	4,712,218	5,072,590	5,339,927	5,417,627	5,558,227	5,558,227	6,490,627	8,683,987
Deficit	(17,405,764)	(32,558,547)	(33,832,686)	(35,239,281)	(36,350,415)	(37,364,420)	(37,364,420)	(37,396,752)	(31,716,648)
Total Shareholders Equity	9,785,811	-4,162,446	-5,003,573	-6,076,189	-7,109,623	-7,983,028	-7,983,028	-7,082,960	790,504
Total Liabilities & Shareholders Equity	18,276,636	4,559,222	4,201,431	4,247,744	8,108,193	8,933,578	8,933,578	13,664,450	28,371,590

Source: Company Reports and eResearch Corp.

Figure 7: Kuuhubb Cash Flow Statement

KuuHubb Inc. Cash Flow Statement (FYE June, US\$)	F2018A	F2019A	FQ120A	FQ220A	FQ320E	FQ420E	F2020E	F2021E	F2022E
Cash Provided By Operating Activities									
Net Income (Loss)	(16,532,211)	(15,152,783)	(1,274,139)	(1,406,595)	(1,111,134)	(1,014,005)	(4,805,873)	(32,332)	5,680,104
Amortization of Intangibles	4,000,799	6,761,098	-	-	4,069	4,069	8,139	16,278	16,278
Depreciation of Property & Equipment	8,423,926	6,099,783	209,552	208,032	10,660	10,021	438,265	33,090	25,367
Stock Based Compensation Expense	2,395,683	1,229,317	360,372	267,337	77,700	140,600	846,009	932,400	2,193,360
Changes in Non-Cash Working Capital									
Trade & Other Receivables	(1,221,687)	1,322,673	(68,197)	730,041	275,200	(1,172,895)	(235,851)	(3,725,667)	(5,712,690)
Investment/Income Tax Credits	(28,766)	125,736	-	-	(78,120)	(63,240)	(141,360)	(134,640)	(353,280)
Prepaid Expenses & Other Assets	(118,790)	(262,278)	54,004	(9,760)	(1,177,897)	(616,292)	(1,749,945)	(1,457,376)	(2,432,913)
Trade & Other Payables	(186,208)	(913,021)	(319,107)	(38,011)	3,018,967	1,807,838	4,469,687	4,275,084	7,136,734
Deferred (Unbilled) Revenue	500,642	(200,755)	(89,472)	(28,445)	(270,554)	52,700	(335,771)	167,400	256,680
Total Cash Provided By Operating Activities	(4,667,624)	(1,292,509)	(1,592,405)	95,222	748,892	(851,204)	(1,599,495)	74,236	6,809,639
Investing Activities									
Purchase of Property & Equipment	(184,096)	(32,327)	-	-	(2,090)	(1,918)	(4,008)	(12,759)	(9,815)
Purchase of Intangibles	(389,530)	-	-	-	(4,069)	(4,069)	(8,139)	(16,278)	(16,278)
Business Acquisition	(9,792,004)	-	-	-	-	-	-	-	-
Redemption of Short-Term Investments & Restricted Cash	-	-	-	-	-	-	-	-	-
Total Cash From Investing Activities	(10,078,059)	(32,327)	-	-	(6,159)	(5,988)	(12,147)	(29,036)	(26,092)
Financing Activities									
Proceeds from Loan	1,239,282	2,155,218	1,475,198	668,429	2,264,740	-	4,408,367	-	-
Operating Line (Repayment)	(207,225)	329,755	-	-	(7,212)	(6,635)	(13,846)	(21,639)	(15,502)
Repayment of Loan	(2,430,498)	(1,077,017)	(95,592)	(35,881)	(112,059)	(155,112)	(398,644)	(590,041)	(544,235)
Issue/Repurchase of Equity	1,058,177	-	-	-	-	-	-	-	-
Proceeds from exercise of Stock Options and Warrants	11,832,974	-	-	-	-	-	-	-	-
Total Cash From Financing Activities	11,492,710	1,407,956	1,379,606	632,548	2,145,470	(161,747)	3,995,877	(611,680)	(559,737)
Effect of Exchange Rates on Cash	204,192	(59,278)	(117,452)	192,200	-	-	74,748	-	-
Net Increase in Cash	(3,048,781)	23,842	(330,251)	919,970	2,888,202	(1,018,939)	2,458,982	(566,481)	6,223,810
Beginning Cash	3,722,775	673,994	697,836	367,585	1,287,555	4,175,757	697,836	3,156,818	2,590,337
Ending Cash	673,994	697,836	367,585	1,287,555	4,175,757	3,156,818	3,156,818	2,590,337	8,814,147

Source: Company Reports and eResearch Corp.

APPENDIX C: GAMING COMPARABLES

Figure 8: Large Cap Gaming Comparables

Name	Mar 09 Close (US\$)	Mkt Cap (US\$ M)	Cash (US\$ M)	Debt (US\$ M)	EV (US\$ M)	REVENUE (US\$ M)			EBITDA (US\$ M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Large Cap Gaming Comps																	
Activision Blizzard, Inc.	\$57.35	\$44,115	\$5,859	\$2,948	\$41,204	\$7,500	\$6,363	\$6,810	\$2,507	\$2,198	\$2,548	5.5x	6.5x	6.1x	16.4x	18.7x	16.2x
Capcom Co., Ltd.	\$27.44	\$2,930	\$592	\$73	\$2,411	\$923	\$968	\$813	\$203	\$249	\$284	2.6x	2.5x	3.0x	11.9x	9.7x	8.5x
Electronic Arts Inc.	\$100.93	\$29,237	\$5,602	\$1,238	\$24,873	\$5,150	\$4,786	\$5,193	\$1,701	\$1,893	\$1,768	4.8x	5.2x	4.8x	14.6x	13.1x	14.1x
GungHo Online Entertainment, Inc.	\$15.73	\$1,092	\$845	\$2	\$293	\$900	\$1,041	\$818	\$272	\$317	\$234	0.3x	0.3x	0.4x	1.1x	0.9x	1.2x
Konami Holdings Corporation	\$33.71	\$4,558	\$1,096	\$139	\$3,609	\$875	\$2,545	\$2,607	\$563	\$580	\$674	4.1x	1.4x	1.4x	6.4x	6.2x	5.4x
NetEase, Inc.	\$321.25	\$41,107	\$10,371	\$15,945	\$47,608	\$67,156	\$59,806	\$68,235	\$9,976	\$17,817	\$18,197	0.7x	0.8x	0.7x	4.8x	2.7x	2.6x
NEXON Co., Ltd.	\$15.75	\$13,874	\$4,992	\$117	\$9,073	\$2,479	\$2,406	\$2,640	\$1,109	\$1,003	\$1,117	3.7x	3.8x	3.4x	8.2x	9.1x	8.1x
Nintendo Co., Ltd.	\$351.04	\$41,817	\$10,661	\$0	\$31,158	\$10,314	\$12,065	\$12,479	\$1,823	\$3,001	\$3,606	3.0x	2.6x	2.5x	17.1x	10.4x	8.6x
Square Enix Holdings Co., Ltd.	\$42.94	\$5,122	\$1,210	\$0	\$3,913	\$2,446	\$2,522	\$2,684	\$432	\$351	\$491	1.6x	1.6x	1.5x	9.1x	11.2x	8.0x
Take-Two Interactive Software,	\$113.88	\$12,226	\$1,984	\$176	\$10,417	\$1,793	\$2,936	\$2,840	\$297	\$676	\$683	5.8x	3.5x	3.7x	35.1x	15.4x	15.2x
Tencent Holdings Limited	\$48.56	\$461,180	\$25,905	\$28,153	\$468,682	\$30,202	\$48,370	\$60,196	\$14,521	\$17,963	\$21,280	15.5x	9.7x	7.8x	32.3x	26.1x	22.0x
Ubisoft Entertainment SA	\$71.12	\$8,521	\$1,776	\$2,252	\$8,998	\$2,134	\$2,329	\$1,675	\$583	\$854	\$1,303	4.2x	3.9x	5.4x	15.4x	10.5x	6.9x
Zynga Inc.	\$6.53	\$6,214	\$1,361	\$717	\$5,569	\$907	\$1,287	\$1,632	\$56	\$306	\$363	6.1x	4.3x	3.4x	99.4x	18.2x	15.3x
Mean												4.5x	3.5x	3.4x	10.5x	10.5x	9.2x
Median												4.1x	3.5x	3.4x	14.6x	10.5x	8.5x

Source: S&P Capital IQ; eResearch Corp.

Figure 9: Nordic Gaming Comparables

Name	Mar 09 Close (US\$)	Mkt Cap (US\$ M)	Cash (US\$ M)	Debt (US\$ M)	EV (US\$ M)	REVENUE (US\$ M)			EBITDA (US\$ M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Nordic Gaming Comps																	
Embracer Group AB (publ)	\$9.23	\$2,877	\$296	\$207	\$2,790	\$476	\$594	\$657	\$62	\$201	\$302	5.9x	4.7x	4.2x	45.3x	13.9x	9.3x
G5 Entertainment AB (publ)	\$8.50	\$77	\$16	\$0	\$60	\$154	\$131	\$147	\$16	\$18	\$21	0.4x	0.5x	0.4x	3.8x	3.3x	2.8x
MAG Interactive AB (publ)	\$1.29	\$34	\$21	\$1	\$15	\$25	\$22	\$25	-\$1	\$1	\$3	0.6x	0.7x	0.6x		13.4x	4.6x
Paradox Interactive AB (publ)	\$13.81	\$1,458	\$59	\$3	\$1,403	\$120	\$132	\$174	\$53	\$75	\$98	11.7x	10.6x	8.1x	26.4x	18.8x	14.3x
Remedy Entertainment Oyj	\$13.95	\$168	\$22	\$3	\$149	\$23	\$43	\$41	\$1	\$14	\$13	6.5x	3.5x	3.6x	118.6x	11.0x	11.6x
Rovio Entertainment Oyj	\$3.59	\$279	\$148	\$16	\$148	\$321	\$339	\$325	\$36	\$42	\$47	0.5x	0.4x	0.5x	4.1x	3.5x	3.1x
Starbreeze AB (publ)	\$0.16	\$59	\$9	\$44	\$93	\$37	\$72	\$122	-\$18	\$29	\$63	2.5x	1.3x	0.8x		3.2x	1.5x
Stillfront Group AB (publ)	\$44.46	\$1,373	\$36	\$115	\$1,454	\$153	\$211	\$357	\$40	\$82	\$146	9.5x	6.9x	4.1x	36.7x	17.7x	10.0x
Mean												4.7x	3.6x	2.8x	3.9x	10.6x	7.2x
Median												4.2x	2.4x	2.2x	31.5x	12.2x	6.9x

Source: S&P Capital IQ; eResearch Corp.

Figure 10: Canadian Gaming Comparables

Name	Median Close (US\$)	Mkt Cap (US\$ M)	Cash (US\$ M)	Debt (US\$ M)	EV (US\$ M)	REVENUE (US\$ M)			EBITDA (US\$ M)			EV/Revenue			EV/EBITDA		
						2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E
Kuuhubb Inc.	\$0.22	\$12	\$1	\$7	\$18	\$19	\$9	\$14	-\$6	-\$3	-\$4	1.0x	2.0x	1.3x			
Canadian Gaming Comps																	
Axion Ventures Inc.	\$0.18	\$38.3	\$1.0	\$14.5	\$51.3	\$8.9	\$4.8	\$33.3	-\$7.6	-\$9.3	\$12.4	5.8x	10.7x	1.5x			4.1x
Enthusiast Gaming Holdings Inc.	\$1.10	\$80	\$6.0	\$8.7	\$82.3	\$0.0	\$13.1	\$28.2	\$0.0	-\$4.9	-\$0.9		6.3x	2.9x			
ePlay Digital Inc.	\$0.03	\$1.8	\$0.1	\$0.9	\$2.6	\$0.2	\$0.0	\$0.0	-\$0.4	\$0.0	\$0.0	17.0x					
Fandom Sports Media Corp.	\$0.06	\$1.0	\$0.0	\$0.0	\$0.9	\$0.0	\$0.0	\$0.0	-\$3.0	\$0.0	\$0.0						
Global Daily Fantasy Sports Inc.	\$0.11	\$7.9	\$0.0	\$0.0	\$7.9	\$0.1	\$0.0	\$0.0	-\$3.2	\$0.0	\$0.0	100.8x					
Torque Esports Corp.	\$0.70	\$10	\$0.5	\$15.3	\$25.1	\$4.7	\$0.0	\$0.0	-\$9.6	\$0.0	\$0.0	5.4x					
Versus Systems Inc.	\$0.17	\$24	\$0.5	\$4.2	\$12.9	\$0.0	\$0.8	\$10.7	-\$6.6	-\$4.0	\$6.1	10828.1x	15.2x	1.2x			2.1x
Mean												9.4x	10.7x	1.9x			3.1x
Median												17.0x	10.7x	1.5x			3.1x

Source: S&P Capital IQ; eResearch Corp.

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eResearch Analyst on this Report: Chris Thompson CFA, MBA, P.Eng.

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